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COPPER

Comex gets physical

Page 34

World News

Yugoslav army alleges Croats killed 41 children

Croat soldiers were yesterday accused by the Yugoslav army of killing 41 children in a village school as they fled advancing Yugoslav troops. Photographer Goran Mikic said he saw and counted the bodies, which had been dumped in the school's cellar, but was *not allowed to photograph* them.

Meanwhile Britain, France and Belgium – the three European Community members of the UN Security Council – agreed to press for UN sanctions against the Yugoslav republics. Page 24

Shift on hostages

Sheikh Abbas Musawi, leader of the pro-Iranian Hizbollah, said the issue of western hostages in Lebanon was com*pletely separate from Arabs* held by Israel. His party is thought to be an umbrella group for kidnappers in Lebanon. Page 7

India drops sale plan

India has withdrawn an offer to sell Iran a nuclear research reactor. A senior Indian external affairs ministry official said the change of heart came after the plan ran into stiff criticism from the US. Page 6

Dissident returns

Chinese dissident Dai Qing, who vanished for five days during the visit of US secretary of state James Baker, reappeared at her Beijing home saying she had been abducted. Bush's China policy, Page 5

Plea for Iraq aid

Millions of innocent Iraqis are suffering from disease, malnutrition and contaminated water, and voluntary agencies alone cannot help, the British charity Oxfam said. Page 7

Soviet helicopter crash

A Soviet military helicopter crashed in the disputed Caucasus region of Nagorno-Karabakh killing 17 passengers, 15 of them senior officials.

Biwott denies murder

Sacked Kenyan industry minister Nicholas Biwott denied murder and corruption allegations and branded them "foreign propaganda". He told an Austrian news agency there was no truth in allegations that he was implicated in the murder of foreign minister Robert Ouko 20 months ago. UK urges Kenya, Page 7; Editorial comment, Page 22

Peru killings alleged

Human rights organisation Amnesty International said security forces in Peru had unlawfully killed more than 200 people in the past year, despite President Alberto Fujimori's pledges to respect human rights.

Police probe jail break

British police launched an inquiry into allegations that detectives helped two suspected Irish Republican Army terrorists escape from a London prison in July. A TV programme claimed the escape was encouraged in a bungled plot to trap other IRA suspects.

Licence suspended

The Michigan Board of Medicine suspended the licence of Jack Kevorkian, the retired US pathologist who has helped three women commit suicide in the past two years.

Soccer fans held

More than 300 soccer fans were held in Brussels after mounted police charged rioting German supporters. About 6,000 German fans were in Belgium for a European football championship qualifying round. Page 3

Diamond auction hopes

The biggest colourless diamond ever to be auctioned goes under the hammer at a Christie's sale in Geneva today. The 106-carat stone is expected to fetch $8m-$10m

Business Summary

McDonnell Douglas plans Taiwan venture

Taiwan Aerospace, seven-week-old joint venture between the Taiwan government and local industry capitalised at $200m, announced its intention to invest $2bn in a new aircraft manufacturing joint venture with McDonnell Douglas, financially stretched US aero*space group.*

Airbus Industrie, European aerospace consortium, is stepping up efforts to persuade Japanese companies to consider joint development of a super-jumbo aircraft.

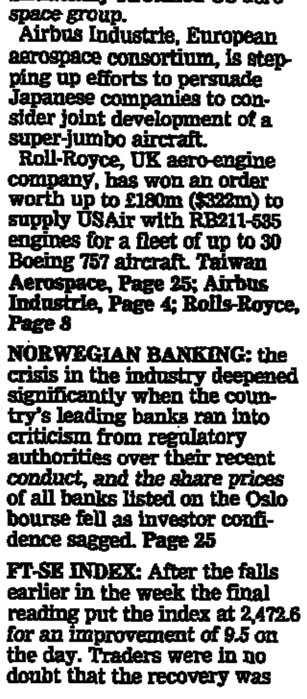
Roll-Royce, UK aero-engine company, has won an order worth up to £180m ($322m) to supply USAir with RB211-535 engines for a fleet of up to 30 Boeing 757 aircraft. Taiwan Aerospace, Page 25; Airbus Industrie, Page 4; Rolls-Royce, Page 8

NORWEGIAN BANKING: the crisis in the industry deepened significantly when the country's leading banks ran into criticism from regulatory authorities over their recent *conduct, and the share prices* of all banks listed on the Oslo bourse fell as investor confidence sagged. Page 25

FT-SE INDEX: After the falls earlier in the week the final reading put the index at 2,472.6 *for an improvement of 9.5* on the day. Traders were in no doubt that the recovery was little more than a technical rally in a stock market which had fallen by more than 3 per cent since the close of business last Friday. London stocks, Page 35

FT-SE 100 Index

Hourly movements



SONY, Japanese consumer electronics and entertainment group, suffered a steep drop in pre-tax profits in the six months to the end of September as a result of the strength of the yen and lacklustre sales of audio-visual equipment in Japan. Page 25

VIRGIN MUSIC Group has signed the Rolling Stones pop group. The deal, which starts in March 1993, gives Virgin rights to all albums made by the group after 1971. The band was previously signed to Sony. Page 8

VOLVO, Swedish motor group, reported a profit (after financial items) of SKr1.27bn ($217m) for the first nine months of the year, despite mounting operating losses. Saab-Scania, Swedish vehicle and aerospace group, had a fall in profits (after financial items) to SKr892m ($152m) from SKr1.57bn for the first *nine months of the* year. Page 26

THOMSON CORPORATION'S rising share of the UK travel market helped increase third-quarter operating earnings 9.5 per cent in the face of continued softness in its newspaper business. Page 27

NESTLE, world's leading foods group, expects a 7 per cent rise in sales to about SFr50bn ($35.2bn) this year, and hopes net earnings will rise at a similar rate from *last year's* SFr2.27bn. Page 26

ASEA BROWN Boveri, Europe's biggest electrical engineering group, has reported a 2 per cent increase to $761m in pre-tax earnings for the first nine months. Page 26

Commission president says states would have too much power

Delors attacks 'crippling' draft EC union treaty

By **David Gardner** in Strasbourg

MR Jacques Delors, president of the European Commission, yesterday warned that the European Community's latest draft political union treaty could spell the end of the Community.

Mr Delors said the draft treaty gave member states too much power outside EC structures.

"Believe me, a text written in these terms is inapplicable or crippling," he told the European Parliament.

The treaty is in the final stages of negotiation ahead of the Maastricht summit, which is now less than three weeks away.

In a barely disguised rebuttal of almost everything the UK has insisted on as its price for accepting political union, Mr Delors also stressed that there had to be majority voting on social policy and the new common foreign and security policy.

Mr Delors' *cri de coeur* has revived the debate on whether new common powers in foreign policy and affairs such as immigration, should be under Community jurisdiction or – as in the current draft of the treaty – matters for government-to-government co-operation between the Twelve outside the treaty.

He said: "There is not one example of a grouping of nations which has survived on the basis of intergovernmental co-operation.

"My belief is that by conserving intergovernmentalism in the treaty, because of the precedents and the likelihood of politicians and bureaucrats striking deals behind closed doors, the intergovernmental will pollute the Community and roll it back."

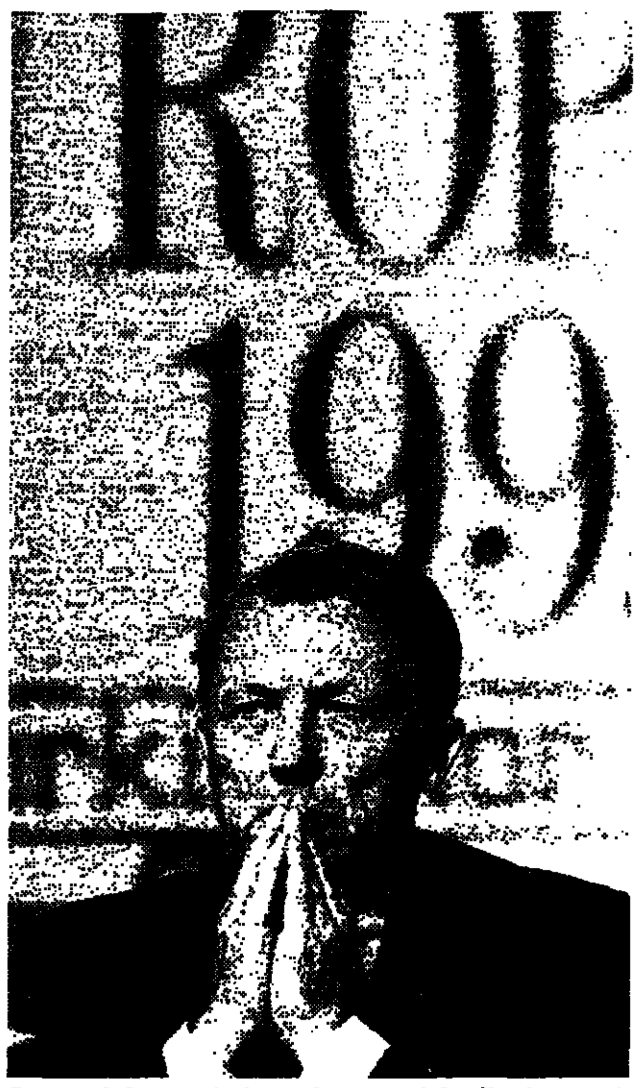
The current Dutch EC presidency's attempt partially to integrate foreign and internal security policy into the treaty was thrown out by the Twelve at the end of September, which led Mr Douglas Hurd, the UK foreign secretary, to say two weeks ago that "we won that argument ... the federalists lost".

Mr Delors insisted that to have EC external economic relations managed by the EC and foreign policy by the member states would lead to "*organised schizophrenia*".

Nevertheless, he appeared to be trying to rally support, particularly from France and Germany. This was to ensure majority voting on unanimously agreed areas of foreign policy co-operation, and to get a "deeper" or more integrated treaty as the precondition for enlarging the Community from 1993.

He said the 1996 treaty review called for in the current draft treaty – which foreshadows integration of foreign and internal security policy – was "not an excuse for faltering steps or standing still now". The 1996 review was to "adapt our institutions to a Community which will perhaps comprise 15, 20 or 25 members", he insisted.

Continued on Page 24



Jacques Delors: majority voting on social policy is a must

Thatcher warns against federalism

By **Philip Stephens,** Political Editor, in London

A STARK warning by Mrs Margaret Thatcher that Britain must halt the "conveyor belt to federalism" yesterday overshadowed a further step by Mr John Major towards a deal with his European partners at next month's Maastricht summit.

In a tense and often rowdy opening to an historic House of Commons debate on economic and political union, Mrs Thatcher told her successor as prime minister that she backed calls for a referendum on the issue of a single European currency.

Her support for a plebiscite, supported by an odd alliance of right-wing Conservative and left-wing Labour members of parliament and by Mr Paddy Ashdown, the Liberal Democrat leader, brought the first hint that the government might consider such an option.

Mr Major told the Commons that he did not favour the idea, but government officials indicated that he had not slammed the door permanently if a future parliament sought a referendum before a final decision on monetary union was taken in 1996 or 1997.

Mrs Thatcher, speaking on the anniversary of the leadership contest with Mr Michael Heseltine that forced her departure from Downing Street, said she would vote for the government this week, reserving judgment on the outcome at Maastricht.

But speaking with the passionate antipathy to European integration which provoked her downfall, she declared that moves towards a single currency would undercut decisively British democracy: "What we are talking about is the rights of the British people to govern themselves under their own laws made by their own parliament."

Then, backing the idea of a referendum if all the main parties went into a general election favouring a single currency, she said: "I come to the conclusion we should let the people speak". But she left open whether such a test of public opinion should come before ratification of any deal at Maastricht or should apply only at the final stage of Emu.

■ **Spain promises to meet Emu targets; Page 2**
■ **The European debate;** *Page 9*
■ **Economic viewpoint: Britain's self-imposed confidence trick;** Page 22

Her intervention, which transfixed the Commons chamber after a detailed exposition by Mr Major of the progress of the negotiations, held the implicit threat that she would oppose any substantial surrender of British sovereignty.

Mr Major made it clear that he was ready to risk a rebellion by Mrs Thatcher and her allies if he could secure an agreement with other European governments which fell short of a commitment to federalism.

The prime minister opened the two-day debate with a warning to other governments that Britain's hopes for a deal should not be interpreted as a signal that it would sign up to "whatever is on offer". With several EC ambassadors sitting in the Commons gallery, he declared: "I urge them not to make that misjudgement. That would be fatal."

The sceptical tone of much of his speech, however, did little to disguise an offer that if other European governments lower their sights, Britain is ready to compromise.

Mr Major said the structure of the draft treaty on economic and monetary union met his government's demand that a final decision on British participation on a single currency be left to a future parliament. *Explicitly* rejecting the case put later by Mrs Thatcher, he said it would be "damagingly wrong" to exclude the option of moving to single currency.

Reviewing the bargaining on political union, Mr Major underlined repeatedly that Britain would not surrender control of foreign, defence and immigration policies, nor accept majority voting to implement the social charter.

Senior ministers confirmed that between the lines of his resolute stance there were several signals to Britain's partners of flexibility. Britain was ready to consider limited extensions of the European Parliament's right of veto, and some increase in Community competence in areas such as the environment, health and education.

Minister fears further dictatorship in Soviet Union

By **John Lloyd** in Moscow

MR *EDUARD Shevardnadze* marked his first day back as Soviet foreign minister by warning of a further threat of dictatorship in his country and of a "threat to the planet" from the possible disintegra*tion of the Soviet Union.*

He was echoed by President Mikhail Gorbachev, once more his comrade-in-office, who told the Soviet parliament that "catastrophe" was staring the country in the face as its budget deficit spins out of control. He said "the whole world shudders" in anticipation of a division in the nuclear forces of the Soviet Union.

Mr Gorbachev appealed to the parliament to approve an extra credit line from the State *Bank of Rs63bn – which* he had already granted to his government in the summer – and to permit a further Rs30bn in credit.

However, representatives from the dominant Russian republic refused to approve an emergency budget for the *last* quarter of the year – estimated at Rs110m – saying their own economic reform must take priority.

Mr Shevardnadze has been a consistently gloomy – but not *inaccurate – voice on the side*lines of Soviet events over the past 11 months since resigning after warning of a coup.

In an interview with the French network Antenne 2 he said the danger of a return to totalitarianism was "greater today than before the putsch".

"The threat exists firstly because the people who supported the totalitarian system still exist but also because of the aggravation of social conditions," he said.

In another interview, with the daily Izvestia, he said: "I am not exaggerating when I say that we must save not just the country but the world – for an unstable Soviet Union is a threat to the whole planet".

Immediately after the failed putsch, Shevardnadze said Gorbachev's indecision had encouraged the hard-liners.

"The situation is different than it was a year ago when I quit as foreign minister," Mr Shevardnadze told Izvestia. "A new *confederate state is being* formed. I feel that I can be useful and I can make my contribution to this difficult process."

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High risk options, Page 3
Soviet food credits, Page 5
Editorial Comment, Page 22

Brussels approves FFr2bn injection for Air France

By **David Gardner** in Strasbourg

THE French government won European Commission approval yesterday for a FFr2bn ($350m) capital injection in Air France, but was warned that further funds for the state-owned carrier would be subject to tight restrictions.

Concluding a four-month inquiry, the Commission decided the recapitalisation was not state aid, but was the "justifiable action of an investor seeking profitability".

"This was a rational investment for anyone thinking long term," according to Mr Karel Van Miert, the transport commissioner in charge of the investigation.

Officials took into account Air France's deteriorating finances after the Gulf war, *which coincided with the carri*er's restructuring plan and difficulties in absorbing Air Inter and UTA, two domestic airlines taken over last year.

The Commission compared the Air France cash injection with the efforts of competitor airlines to recapitalise and restructure, and found little variance, officials said.

Approval from Brussels for the capital injection forms part of a FFr5bn package earmarked for the carrier. The Commission underlined that French plans to inject a a further FFr3bn over the next two years *would be subject to* a separate inquiry.

Though officials would not say how many commissioners supported Mr Van Miert yesterday, this unusual reference to cash injections – which have yet to be formally announced – is thought to have been insisted upon by Sir Leon Brittan who, as competition commissioner, has cracked down on state subsidies to industry.

Mr Van Miert had excluded from his inquiry last July's *decision by the state-owned* Banque Nationale de Paris to take a FFr1bn stake in Air France. By contrast, Sir Leon has just started an inquiry into a similar case involving Crédit Lyonnais, another government-owned bank, and Usinor Sacilor, the steel manufacturer.

Sir Leon has become something of a *bête noire* for the French government, after his successful campaign to persuade the Commission to turn down the takeover of De Havilland, the Canadian maker of commuter aircraft, by a Franco-Italian consortium involving *Aerospatiale.*

Mr Van Miert was instrumental in getting the Commission to approve the Belgian government's $1bn injection into Sabena, its ailing national carrier, earlier this year, to enable it to restructure.

A spokeswoman for Air France said the carrier was pleased the Commission had approved the capital increase, adding that it would be used to help finance the airline's heavy investment programme over *the next few years.*

She said Air France expected to spend FFr39bn over the next three years, mainly on new aircraft, and to take delivery of 66 new aircraft during that period.

Editorial Comment, Page 22;
USAir orders, Page 8

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Rao treads warily on public sector after record poll win

The by-election victory of prime minister Narasimha Rao (left) seems to have revived his preference for prudent industrial change. However, his caution has dismayed many foreign and Indian industrialists

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MARKETS

STERLING
New York lunchtime:
$1.7989
London:
$1.796 (1.7965)
DM2.8775 (2.875)
FFr9.8375 (9.8325)
SFr2.555 (2.55)
Y233.0 (233.25)
£ Index 91.2 (91.1)

GOLD
New York Comex Dec
$364.7 (364.4)
London:
$363.05 (363.15)

N SEA OIL (Argus)
Brent 15-day Jan
$20.675 (20.925)

Chief price changes yesterday: Page 25

DOLLAR
New York lunchtime:
DM1.599
FFr5.4645
SFr1.4195
Y129.6
London:
DM1.6025 (same)
FFr5.4775 (5.4725)
SFr1.4225 (1.42)
Y129.75 (129.8)
$ Index 62.9 (62.7)
Tokyo close:129.4
US *lunchtime rates*
Fed Funds: $4\frac{11}{16}$%
3-mo Treasury Bills:
4.617%
Long Bond:
$100\frac{22}{32}$
yield: 7.931%

STOCK INDICES
FT-SE 100:
2,472.6 (+9.5)
FT-A All-Share:
1,194.77 (+0.4%)
FT-SE Eurotrack 100:
1,076.0 (+0.89)
New York lunchtime:
DJ Ind. Av.
2,926.88 (−4.68)
S&P Comp
377.89 (−1.53)
Tokyo: Nikkei
23,199.86 (−127)

LONDON MONEY
3-month interbank:
$10\frac{1}{2}$% (same)
Life long gilt future:
Dec $95\frac{1}{16}$ ($95\frac{5}{16}$)

More 'Europe' sought in education

By Andrew Adonis

A PLAN to increase the "European dimension" of higher education in the EC is included in wide-ranging ideas soon to be suggested by the European Commission.

A memorandum on the subject by Ms Vasso Papandreou, social affairs commissioner, will be discussed by education ministers next Monday. Stressing "the important part which higher education can play in cementing relations with European neighbours", it calls for:

● Greater student mobility and improved language competence, and suggests extensions to Community programmes like Erasmus and Lingua. The paper calls for a wider EC dimension to the school curriculum, at primary and secondary level. This, it argues, "makes it essential that a European experience should form part of the professional education of teachers".

● Improved access to higher education for both school-leavers and more mature students. "Social inequalities should be addressed: common targets for participation within the Community should be considered along with support to the regions in attaining targets". This passage is likely to be controversial among member states – notably Britain – unwilling to see an extension of EC competence into education.

At present, participation rates vary widely, with France and Germany at the top, and Britain towards the bottom, of the league table of those taking part in education and training after the age of 16.

● Closer links between higher education and industry. The potential for extending Community programmes, like Comett, designed to bridge the higher education/industry divide is mentioned.

● The promotion of more adult education, requiring "new national structures and an impetus from the EC with regard to exchange of experience and transnational co-operation".

Although the Community finances several education-related programmes, its legislative activity in the field is currently limited to directives regulating the right of residence for students and the mutual recognition of degrees and professional qualifications.

The Commission sees its essential role as that of "catalyst and facilitator of co-operation and common action", without endangering differences between higher education systems across the EC.

Euro-MPs set to back strategy for HDTV

By Andrew Hill in Brussels

THE EUROPEAN Parliament yesterday seemed set to back an amended strategy for the future of high-definition television in Europe yesterday in an important vote on draft legislation in Strasbourg.

Late yesterday afternoon the largest political group, the Socialists, was preparing to support liberalising amendments tabled by Mr Gérard Caudron, the French Socialist MEP, on behalf of the parliament's committee on industrial affairs. However, procedural delays meant there was a chance that MEPs would not have time to vote as scheduled last night.

The EC must make sure it does not give drug traffickers new opportunities when it eliminates internal borders after 1992, President George Bush's adviser on drugs policy said yesterday, Reuter reports. Mr Bob Martinez told the Brussels-based international Customs Co-operation Council that The success of the US campaign to drive down demand for drugs could mean Europe would face an onslaught from cocaine traffickers.

About 30 German Socialists were planning to oppose one technical amendment, but officials in Strasbourg said MEPs were very unlikely to call for withdrawal of the directive, as proposed by the parliament's environment committee.

The parliament's backing is not essential to the success of the European Commission's draft HDTV directive, but it will provide Mr Filippo Maria Pandolfi, the EC's embattled telecommunications commissioner, with a weapon in his attempt to reconcile feuding manufacturers and broadcasters.

Mr Pandolfi said on Monday that the Commission was ready to accept a more flexible plan, based on some of the parliament's amendments. Among other things, the Commission is prepared to drop its insistence on a single standard, D2-Mac, being imposed on all new satellite broadcasts as an intermediate step towards a full HDTV norm, HD-Mac. The new amendments would also exempt broadcasts which use the alternative digital technology from compulsory transmission in HD-Mac.

The commissioner has promised to deliver an improved HDTV strategy to telecommunications ministers when they next meet on December 5. Existing legislation on satellite transmission standards expires at the end of the year.

There are some signs of rapprochement in the industry but most satellite broadcasters, which use different transmission standards, still feel that the amended plan is too strict. Electronics manufacturers, such as Philips of the Netherlands and Thomson of France, have been pushing for rigid and narrowly defined standards because they have already invested heavily in D2-Mac technology on the basis of the existing directive.

Chill wind blows through French state boardrooms

By William Dawkins in Paris

Cresson: reforming zeal

PLANS by Mrs Edith Cresson, the French prime minister, to improve worker consultation and information in state industry have left shivers of apprehension in boardrooms across France's public sector.

The move, inspired by German experience, is one of several reforms being considered by Mrs Cresson which would introduce the biggest changes to the management of state industry for eight years. They have been given extra urgency by the recent wave of strikes in state companies (though the rethink predates the labour unrest) and would take effect through laws to be presented to parliament next spring.

At first sight, this looks confusingly as if the government is about to increase industrial intervention just as it is pulling back the frontiers of the state with a programme of partial privatisations.

"I do not understand how one can force change in a company through new structures, moreover borrowed from another culture," complains Mr François Périgot, president of the Patronat employers' organisation.

Yet government officials argue that a state clampdown on management is just the opposite of what they are hoping to achieve. The idea is to give a wider choice of management structures suitable to state companies' specific needs, to avoid labour disputes and to encourage more professional management, they say.

The following changes are under discussion, though details could alter as Mrs Cresson consults state company chairmen in the weeks ahead:

● Worker consultation at board level. Under the present system state companies must allot a third of board seats to staff representatives. They also have consultative works councils, as do private sector counterparts above 50 employees.

One option is to apply to the state sector the long-deadlocked European Community company statute, which sets out three options for different degrees of worker participation, including UK style-collective bargaining, French works councils and German-style worker co-determination. The government hopes agreement at the Maastricht summit will break the deadlock.

Mrs Cresson has made no secret of her admiration for the German system of a management board for day to day business, and a supervisory board – with half the seats occupied by staff representatives – for strategic decisions.

She is also aware that the German model cannot simply be transposed to France, given that France does not have Germany's one union per industry structure. As the latest strikes have underlined, France's unions are deeply fragmented. So officials stress that the German model would be just one of several options. The European company statute would also be offered as an option to private companies.

● Top management. Mrs Cresson is considering updating the current system of an omnipotent *président directeur général*, in favour of having a UK-style chairman working closely with a small board of three to five directors. Her staff are exploring whether to lengthen the three-year mandate given to heads of state companies, to ensure better continuity.

Their current mandates expire next June, but the re-selections – decided by the French cabinet – could be advanced a few months to coincide with the other changes. She is also keen to replace the politicians, civil servants and academics who traditionally serve on the boards of state companies with professional managers both from France and abroad.

The reforms would be applied according to individual companies circumstances. The biggest changes can be expected in state companies operating in competitive markets or where industrial disputes are most frequent, while monopoly public service providers – like Electricité de France – would not be affected.

● Pay. Traditionally, profit sharing has formed a bigger proportion of pay in French state industry than for its European competitors. This was a feature in the dispute at Renault, when workers on basic pay lost the equivalent of a month's salary, due to the fall in their profit share caused by the sharp decline in Renault's earnings. The government is looking for a way to spread out profit shares over time, to soften sudden changes. It is also considering offering share option schemes, with tax incentives, to supplement pay.

The pace of the debate has been increased by the strikes at Renault, the car maker, Air France, Bull, the computer group and the demonstrations against job losses at Usinor Sacilor, the steel maker. Renault has come in for heavy government criticism over the risks of keeping components stocks at low levels when labour relations are poor. This is why a stoppage at its main engine and gearbox plant halted almost all Renault's French and Belgian production within days.

Mrs Cresson said recently: "If we want an industrial system based on zero stocks, it is clear that the type of consultation and methods of command in companies must be different."

But the plans are also a response to the need to modernise the organisation of companies about to be partially privatised, or acquiring foreign partners, say officials. They believe more modern management structures might make it less likely that foreign takeovers by state owned companies would attract suspicion from foreign governments, as did Elf Aquitaine with its recent takeover of Amoco's petrol stations in the UK.

If successful, the reforms will go to the heart of the French management traditions, already changing under the influence of international competition. "One can no longer order people as one used to do 50 years ago," says Mrs Cresson."

Citizens can sue over EC law, says court

By David Buchan in Brussels

THE European Court of Justice has opened up a radical new means of enforcing Community law by ruling that individuals can sue their governments for damages for failing to implement EC directives.

Several Italians whose bankrupt employers had failed to pay them back pay, had brought damages suits against their government for not putting into national law a 1980 EC directive on the workers' rights in cases of insolvency.

The Italian courts sought the opinion of the European Court, which on Tuesday ruled that the government was liable, not for the precise salary arrears in question, but for any damages caused by its tardiness.

The EC judges indicated their ruling only applied when there was a clear link between the failure of a government to implement EC legislation and damage suffered by individuals. Lawyers therefore suggest it might not open the way to private law suits to enforce EC laws covering wide fields such as the environment.

But Commission officials said the ruling might at last put some bite into efforts to chase up laggard governments. It is by far the worst offender in failing to put EC laws on its statute books. The European Court condemned Italy in 1989 for not obeying the 1980 directive, but with no apparent effect.

The forthcoming Maastricht treaty on political union is likely to contain a provision allowing the European Court to fine governments for not complying with EC law.

D-Mark forgeries are a growth industry

By Christopher Parkes in Bonn

A NEW threat to the D-Mark – as if pay and price inflation, the federal deficit and an industrial catastrophe in the east of Germany were not enough – emerged yesterday.

"The new enemy of real money", as the Bundesbank put it, is a man in a suit pushing the buttons on his Japanese, high-definition, four-colour photocopier.

The bank was commenting on figures from the BKA federal criminal office which reveal a surge in copier counterfeiting. Compared with 1990, when only 14 per cent of detected forged notes came from copiers, the proportion in the first nine months of this year is 64 per cent, and rising.

Last year the BKA counted 6,749 duds, including 1,184 produced by the latest electronic technique. Between January and September this year, it collected 26,300 of which almost 17,000 were faked on widely-available copiers.

The deceptive capacity of a DM100-note run off in the lunch hour was underlined by the news that almost a third of the detected fakes were drawn from banks.

Main sources of the flood are the 4,000 Japanese high-definition copiers in German offices, which carry a clear – and tempting – warning: Copying banknotes, travellers' cheques, securities and stamps is a punishable offence.

Main perpetrators, the BKA says, are once-prosperous business people (who could afford up to DM83,000 a machine) and who find themselves in financial difficulties.

Main victim so far is the Bundesbank claim that recently-introduced bank notes, complete with latent images, watermarks and silver strips are virtually un-forgeable.

EUROPEAN NEWS

Soviet army warns on weapons takeover

By John Lloyd in Moscow

THE Soviet army and interior forces yesterday threatened the republics with "*the most* serious consequences, even bloodshed" if they continued to press for a takeover of weapons and military property on their *territories*.

The threat, in a joint statement issued by the ministries of Defence and Internal Affairs, is the first time since the *August coup that* the military has reacted aggressively to the erosion of its authority in republics which are preparing to establish their own defence forces.

It contradicts the emollient line so far pursued by Mr Yevgenny *Shaposhnikov*, the Soviet defence minister, who has made a series of concessions to the republics. He has even gone so far as agreeing that the Ukraine could create *its own army*.

The statement, which bore no signatures, said that "assaults on military units with the aim of grabbing *arms and equipment constitute* the most serious threat to stability and internal security. . . no-one should have any doubt about the fact that the military have the *full right for* necessary defence, including the use of arms, in accordance with *existing* laws and military codes".

Although the statement did not specify the republics, it clearly had in mind the *Ukraine, Moldova*, Georgia and Azerbaijan, where decrees have been issued to nationalise military property and take over command of army and military installations and weapons.

In three of these republics Azerbaijan, Georgia and Moldova – armed conflicts continue in which the army plays a largely passive role, powerless to stop inter-ethnic strife.

The daily newspaper Izvestia, which carried the text of the joint statement yesterday, *commented that its con*tents were known to both President Mikhail Gorbachev and Mr Boris Yeltsin, the Russian president.

In his *speech to the Soviet* parliament yesterday, Mr Gorbachev warned several times that the greatest danger now facing the Soviet Union was that of the disintegration of the union itself.

National guardsmen and volunteers stand watch yesterday outside the president's office in the rebellious republic of Chechen-Ingushetia

The high risk options for Russia's economics chief

By Leyla Boulton in Moscow

NOW is a dangerous time to be in government, whatever you do, says *Mr Yegor Gaidar*, the 36-year-old economist chosen by President Yeltsin to conduct last-ditch market reforms in Russia.

"It's a very serious risk to do nothing. It is a very serious risk to do anything unpopular. *It is even a very serious risk to* do something popular because everybody understands that really popular measures will lead you nowhere," he says.

So, with Mr Yeltsin's popularity to give it legitimacy, a new cabinet of bright young *economists is opting for an* unpopular package starting with price liberalisation. By Mr Gaidar's own admission, it is far from perfect.

"In *general* terms it would be very nice to have first of all privatisation, then demonopolisation, then macro-economic equilibrium... But the problem is that in the *present situation* this is out of the question."

Having lost control of whole*sale prices*, he *said*, the *state* could not keep up with mounting retail price subsidies and the unabated printing of money to finance expenditure.

"That does not mean we do not believe in privatisation as well. But nobody has a mecha*nism to privatise a communist* economy within a month."

His first week in office was followed by decrees last weekend suspending oil exports, knocking down barriers to imports, moving towards an internally convertible rouble.

There would be a floating exchange rate for most *operations, but a fixed rate for* oil exporters to sell part of their hard currency earnings to the state so it could service debt and pay for key imports.

Mr Gaidar's appointment as deputy prime minister signalled the triumph of the view that Russia must not wait for other republics to hammer out coordinated reforms but must take the lead and let others follow.

Republics seek changes in G7's aid package

SOVIET republics have responded to a large aid package from the Group of Seven leading industrialised nations with a series of counter proposals, the head of Kirgizia's national bank said yesterday, Reuter reports from Moscow.

Mr Saginali Sulaimanbekov *outlined some of the proposals* on resolving liquidity problems during a break in talks between republican leaders and G7 deputy finance ministers. "We hope that, even if not all proposals are approved, there will be some understand*ing*," he *said*.

The proposals, said to consist of six main points, were being translated into English for the G7, which on Tuesday offered the republics a bridging loan and a deferral of principal repayments on Moscow's foreign debt, estimated by the Russians to be $84bn.

The package, estimated by G7 officials to be worth about $7bn, has been welcomed by Soviet delegates.

As the G7 delegates were meeting President Mikhail Gorbachev in the Kremlin, republican officials worked on their own proposals, which they said are not expected to change the *substance of the aid package*.

Mr Sulaimanbekov said the G7 had proposed using gold as a means of boosting liquidity. But the republics had some reservations about this. "We are going to resort to this only in case of emergency, when all other possibilities are exhausted," he said.

Soviet gold reserves, estimated at 240 tonnes, are almost *exhausted after heavy sales* in the past three years and another 150 tonnes have already been deposited with foreign banks as collateral for credits.

Mr Sulaimanbekov said another proposal concerned *the role of the International* Monetary Fund, but he gave no details. The republics were also seeking G7 support in exploiting natural resources such as oil and metals.

He said they wanted the G7 to accept that a memorandum of understanding on assuming joint responsibility for Soviet foreign debt should remain open to the republics which have *not yet* signed it.

Three of the 12 republics – the Ukraine, Uzbekistan and Azerbaijan – have not given full backing, and Georgia is waiting for its signature to be ratified by its capital.

However, Ukraine and Azerbaijan *have indicated they will* sign after an agreement on how debt and assets are to be shared out.

Anthony Robinson adds: The unexplained increase in the Soviet debt to $84bn is probably due to unrecorded borrowings by banks and the private sector over the past few years which are only now being centralised, according to Mr David Roche, senior Soviet analyst at Morgan Stanley, the US merchant bank.

The G7 talks confirm that the Soviet Union could default within a month without a debt re-scheduling package but western banks would prefer *deferment as it would allow* them some say in the terms of any agreement, he added.

Protest by E German steelmen

By Leslie Colitt in Eisenhüttenstadt

NEARLY 4,000 steelworkers staged a demonstration here *yesterday in an attempt to* save east Germany's largest steelmill which has shed nearly 5,000 of its 12,000 employees and faces an uncertain future.

Mr Manfred Stolpe, Brandenburg's premier, told the steelworkers *that Eisenhüttenstadt* was a "test case" for the Land's (state's) recovery.

The EKO steelmill and the adjoining city, formerly called Stalinstadt, were costly Communist showpieces built in 1951. Soviet iron ore and coal *were used to produce high-cost* steel. This year's production of 1m tons, down 50 per cent from 1989, resulted in a heavy loss.

Mr Stolpe urged the Treuhand privatisation agency to decide quickly on selling the steelworks and said he would *convene a meeting* with the agency and EKO's management next week. Mr Karl Döring, EKO chairman, said the Italian steel producer Arvedi had expressed interest shortly after bids closed last month. The head of Arvedi was visiting today to decide whether to make an offer, he said.

The leading German steelmakers, Thyssen, Krupp and *Salz*gitter have bid for EKO as has Hoogovens of the Netherlands. EKO's own restructuring plan envisions the closure of three of the six blast furnaces and construction of a hot strip mill of 1m tons capacity.

● Mr Horst Wagner, head of the metalworker's union in Berlin, said the Treuhand had postponed a decision on selling the steelmills at Henningsdorf and Brandenburg outside Berlin. The Italian Riva group was favoured to clinch the deal but *was opposed by the union and* several politicians. Treuhand officials said Thyssen and Badische Stahlwerke had since improved their offers.

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Radical changes in prospect for Turkey

By John Murray Brown in Ankara

TURKEY'S new government was given the go-ahead yesterday for a radical social and political reform programme after President Turgut Ozal *formally approved the 32-man* cabinet list hammered out between Mr Suleyman Demirel's True Path party and its coalition partners, the Social Democratic Populists.

Turkey's new coalition, ending eight years of majority rule *by the Motherland party, will* seek a vote of confidence in parliament next week for a programme which calls for the lifting of legal and constitutional restrictions inherited following the 1980 military coup.

The programme, details of which emerged last week, may meet conservative opposition in *parliament* and the army at a time of growing urban terrorism and unrest in the Kurdish *speaking south-east*.

Any constitutional change, moreover, will require a two-thirds majority in the 450-seat parliament. The coalition, with 266 deputies, will thus be counting on broad party support.

The powers of the state and particularly those of the president are to be reviewed to conform with "the principles and rules of parliamentary democracy." The state monopoly on television and other media is also to be lifted.

Hundreds of fans arrested in Brussels football riot

By Andrew Hill in Brussels

BELGIAN police yesterday arrested 300-400 youths, some *of them armed, who ran riot* in the historic centre of Brussels before last night's European championship football match between Belgium and Germany.

The arrests came after thousands of German supporters *arrived in* Brussels, *many of* them without tickets for a match crucial to Germany's hopes of a place in the finals next year.

Several shop windows were broken in the main commercial district yesterday afternoon, and a *number of racist inci*dents were reported between German youths and young *north Africans living in Brus*sels. According to Belga, the Belgian press agency, those arrested included a group of neo-nazis, who unfurled a fascist banner from their hotel-room in the city centre.

More than a thousand police, *many in riot-gear or on horse*back, and supported by water-cannon, were drafted into the *city centre yesterday morning* to cope with the trouble. German police had identified up to 1,500 trouble-makers who they thought might try to get into *the match without tickets*.

Spain promises to meet Emu targets

By Tom Burns in Madrid

THE Spanish government is committed to following economic policies allowing it to participate fully in European monetary union, Mr Pedro Perez, secretary of state for the economy, told a Financial Times conference in Madrid on "Spain's role in the New Europe".

He said Spain could meet the proposed Emu targets. "There should be no doubt about the government's will to design the economic policy necessary to *fulfill Emu's requirements nor* about the capacity of the Spanish economy to satisfy them."

The battle to force down Spain's inflation rate to close *to the levels* of the main EC economies was not "a sacrifice imposed from outside", Mr Perez said, but a policy which Spain would have undertaken "even if no Emu calendar existed".

He said, however, that the current structure of the EC budget was not a suitable basis *for* a political and monetary union based on "efficiency, stability and fairness". Spain wants a commitment in the Maastricht treaty on budgetary concessions for the Community's less developed members.

At the weekend Mr Carlos Westendorp, Spain's secretary of state for the European Community, warned that Madrid could block the treaties if they failed to include a legally binding commitment to correct what Spain views as serious *imbalances in the way that the* Community's finances are structured.

The Spanish complaints are nevertheless unlikely to be *fully addressed at the Maas*tricht summit. Speaking at the same conference Mr Eneko Landaburu, director-general of the EC Commission's department responsible for regional policies, said the political climate was against "mixing the union treaties and the budget reforms".

Mr Landaburu said the most that could be expected on this issue at Maastricht would be "*a general statement*" by the Community leaders on the need to focus on imbalances when the EC budget is debated next spring. He implied that a binding agreement on cohesion was out of the question.

WORLD TRADE NEWS

Airbus looks to Japan for aid on super-jumbo

By Stefan Wagstyl in Tokyo

AIRBUS Industrie, the European aerospace consortium, is stepping up efforts to persuade Japanese companies to consider joint development of a super-jumbo aircraft seating more than 600 passengers.

According to Japanese industry executives, Airbus this summer sent executives to Japan to sound out potential partners about co-operation in the development of the A350.

Airbus is keen to secure Japanese partners to share the enormous cost of developing passenger aircraft and to challenge the US near-monopoly of the Japanese market for large jets, led by Boeing.

However, informal approaches by European executives to their counterparts at Mitsubishi Heavy Industries, Kawasaki Heavy Industries and other Japanese engineering groups involved in aerospace have yielded little. The Japanese companies have remained wedded to co-operating with American makers, chiefly Boeing. They also have vague plans of independently developing large jet aircraft, although the prospects of commercial success are remote.

Mitsubishi confirmed yesterday that it had been approached informally by Airbus Mitsubishi executives listened to a presentation but did not indicate whether they were interested, said the company. Mitsubishi was not involved in any study of the project.

Kawasaki said it had been approached but not formally asked to co-operate. Japanese makers had their hands full working on projects with Boeing and on independent Japanese schemes promoted by the Ministry of International Trade and Industry (Miti).

Japanese makers have been co-developing planes with Boeing since the late 1970s. This year they signed an agreement for the co-development of a 350-seat jet, the 777 wide-body jet, which is due to go into service in 1995. Boeing is also interested in securing Japanese partners for its own super-jumbo, a potential competitor to Airbus's A350.

Neither aircraft would go into production before the year 2000. For Japanese makers, Airbus' interest is welcome because it gives them a bargaining counter in their relationship with Boeing. European makers may have a better chance in co-operating with Japan on smaller aircraft.

Japanese airlines operate about 230 US-made planes and fewer than 30 European-made aircraft.

Asean hopes rise for free trade area

By Victor Mallet and Peter Ungphakorn in Bangkok

MR Anand Panyarachun, Thailand's prime minister, yesterday expressed confidence that the Association of South-East Asian Nations (Asean) would agree on the establishment of a free trade area when the leaders of the six member states meet in Singapore in January.

In an interview Mr Anand, who has long championed the idea of Asean economic co-operation and who put forward the latest free trade proposals this year, said it was hoped Asean leaders could announce at the summit the phasing out of intra-Asean customs tariffs in some sectors within three to five years.

He accepted that previous efforts to integrate Asean economies had failed and that it was too early to talk of a single Asean market.

Left, Anand Panyarachun: the Thai prime minister has long advocated greater Asean economic co-operation.

But he insisted the international climate was changing. "There was a very strong sense of competition among Asean countries and a very strong sense of mistrust," he said. "But in the past five years or so all Asean countries are in the process of deregulating and decontrolling their economies. . . the influx of Japanese foreign investment, the setting up also of hundreds of Japanese factories in Thailand, in Malaysia, in Singapore and hopefully the Philippines has made us more and more conscious of the need for some kind of loose integration process."

Mr Anand added: "All our economies – because we are export-led economies – have driven us closer and closer to the international global trading system."

Previous efforts to liberalise trade within Asean have failed because the member states – Indonesia, Malaysia, Thailand, the Philippines, Singapore and Brunei – have generally protected domestic producers from their regional competitors. At a meeting in Kuala Lumpur in October, however, Asean economics ministers endorsed Thailand's free trade proposals, although agricultural trade – a particularly sensitive issue – is being excluded from the liberalisation for now.

"It's a good first step," said Mr Anand. "We are concerned. . . about the need to increase inter-Asean trade, the need to increase inter-Asean investment and the need to attract more foreign investment into the area."

Mr Anand also said he hoped that a dispute with the US over intellectual property rights would be resolved by the end of the year; the only remaining points of tension were over the phasing-in period of Thai legislation to protect pharmaceutical patents, and over the bill's provisions allowing the government to force a patent holder to license a competitor in the event of overpricing.

Mexicans doubt US political will to press ahead with Nafta deal

Damian Fraser on the progress of tripartite free trade negotiations

When President Carlos Salinas of Mexico arrives in Washington in the middle of next month, high on his agenda will be the question of movement towards a North American Free Trade Agreement (Nafta), which appears to be under scrutiny from the Bush administration. Nevertheless, the US, Mexican and Canadian trade negotiators appear likely to decide before the end of the year whether to push for passage of a North American free trade agreement (Nafta) in 1992, or whether to postpone the US congressional vote on the agreement until 1993.

A senior Mexican government official said in an interview that the three sides "can finish the technical parts [of an agreement] by the end of January, if there is the political will". However, suggested the official, the political will of the US is still in doubt - and if it falters, the US administration will postpone the vote on a agreement until 1993.

If the US decides to delay the vote, negotiations would then be prolonged throughout next year, and an agreement presented to Congress after the November presidential elections. Thus no formal decision would have to be made about postponing the agreement.

The Mexican official understands that the final decision on whether to push for an agreement in 1992 would depend on:

● The chances of a "double-dip" recession in the US. If the US economy deteriorates, the odds on pushing a treaty through next year fall, the official suggested. The administration could turn inward to focus on domestic preoccupations, and protectionist pressure-groups worried about companies relocating in Mexico could be harder to resist.

● The Gatt talks. If the Uruguay round stalls, the US trade officials may spend their energies trying to resuscitate it; if, however, the talks turn bitter, the US Congress may not have the time or inclination to consider another trade agreement in 1992. Even if the talks are concluded successfully, the US administration could decide to focus energies in 1992 on pushing a Gatt agreement through Congress. Nafta would be left for 1993.

● The Mexican-American (Chicano) vote. If the Republican administration believes passage of Nafta in 1992 could divide Mexican-Americans from the Democrats, the US may still push for an treaty in 1992.

If the three sides decide to push for a vote on the agreement before November 1992, the absolutely last date a draft treaty could be ready is April 1 because of the the US' complex trade legislation.

If the governments wait until 1993 before presenting the trade agreement, the US Congress may have to vote for a second time on the extension of "fast-track" authority, which expires in March 1993. The "fast track" authority prevents Congress from amending the finished legislation; the first vote on the extension, in May this year, proved bitterly contentious, although it was eventually passed.

The Canadian embassy official said his country was pushing hard for an agreement in 1992, since 1993 is an election year in Canada - and, as the official says "there is no question that the [US-Canada] FTA has been divisive in our society".

The Canadians are thus encouraging the Mexicans to press the Americans on pushing through an early agreement; undoubtedly the Mexicans would also like a treaty signed and sealed in 1992. The senior Mexican official readily accepts that the postponement of Nafta will reduce foreign investment in Mexico next year, and slow economic growth. However, he is relatively sanguine about Mexico's ability to cope with these effects. The continued focus on Nafta also has some political and economic costs within Mexico. As one Mexican trade official admits, "it is very costly for Mexican industry to focus on the agreement for ever" - and that the government would obviously prefer an agreement sooner rather than later.

Continual uncertainty over the progress of Nafta would be particularly damaging to Mexico's economy, since the government's economic policy requires the continued inflows of foreign capital. The Mexican government reckons in its most recent forecast that the country will run a current account deficit of some $13bn next year; this assumes a modest growth in the economy of just 4 per cent in 1992. The deficit would have to be financed by capital inflows of a similar magnitude.

The government's conservative budget for next year, which envisions a public-sector surplus of 0.8 per cent of GDP, reflects determination among some government officials to put a brake on the growth in the economy. The Mexican official said the government refrained from fixing the peso to the dollar two weeks ago (when the government decided to reduced the devaluation of the peso against the dollar from roughly 5 per cent to 2 per cent a year), in part because of worries over the future of Nafta, along with concerns over the state of the US economy. "To fix the currency" said the official "is an unnecessary risk now" - although eventually such a decision would be taken. The Mexican official claims to be surprised by how fast the negotiations have gone. Progress in the talks appears to have been swiftest on tariff reduction proposals; the three sides have made four counter-offers since September 19, and the differences in their original positions have narrowed considerably.

Still, huge differences remain. The three sides are still yet to define their own positions with respect to the car sector, widely believed to be the area of greatest conflict. The big US three car companies have pressed for local content rules from 60 to 70 per cent, which would discriminate against non-American companies, and for preferential treatment in Mexico.

The textile sector could also be a sticking point. The Americans originally asked for 40 years of protection for their textile industry. According to one official present, the Mexicans and Canadians present "laughed and fell over their chairs".

US IN COPYRIGHT PLEA

THE US Council for International Business is asking the Bush administration to use the Nafta talks, which include Mexico, to seek a rollback of the "cultural" exclusions granted to Canada in the US-Canada FTA, writes Nancy Dunne in Washington.

The Council said the exclusions hampered the ability of US copyright holders to do business in Canada.

"If Canada is to benefit from the increased liberalisation inherent in the Nafta [including better protection of Canadian intellectual property in Mexico], it should be willing to consider a substantial rollback," it said." The council asked that the pact cover all forms of intellectual property, ensure effective enforcement and create a binding dispute settlement mechanism.

Canada should eliminate its compulsory licensing of pharmaceuticals; Mexico should give patent protection to biotechnological and computer-programme related inventions.

● FT Petrochemical Conference

Warning to EC on emissions tax

By Paul Abrahams

THE CHEMICAL industry has the worst public image of any sector other than the tobacco business. A prime reason is that companies are viewed as environmentally unfriendly, Mr Clive Thompson, a vice-president at Arco Chemical Europe, told the Financial Times petrochemical conference in London yesterday.

There are three mechanisms for promoting environmental improvement, explained Mr Thompson: obligatory controls; self regulation;and economic instruments such as taxes, levies, permits and financial incentives.

He warned, however, against the introduction by the European Commission of a tax on carbon dioxide emissions. It would be unlikely to create behaviour change, would be deflationary and would be a cynical source of government revenue, he argued.

EC countries, he said, emitted only 13 per cent of the world's carbon dioxide, and a "go-it-alone" approach was likely to damage the EC's chemicals industry with additional costs and bureaucracy.

At present, the additional cost of environmental protection measures in the UK can be conservatively estimated at £400m a year, said Mr Thompson. To pay for the growth in environmental costs, the industry needs to increase margins by 3.25 per cent, raise pre-tax profits by up to 30 per cent and improve return on capital by about 2.5 per cent.

There was a significant danger that near-mandatory environmental spending during the recession would consume an unsustainably high share of available capital, he argued.

The poor current profitability of the petrochemical industry was only partly caused by the recession, Dr Philip Leighton of Trichem Consultants, said.

The recession had exacerbated a difficult position created by overcapacity and high feedstock prices. He said new investment in Europe – five new crackers and one restart – would lead to operating rates of only 85 per cent between 1992 and 1995.

Meanwhile, the loss of naphtha supplies from Kuwait had affected raw material prices. The uncertainty in the Soviet Union and increased demand from new crackers in Korea had also pushed up prices, according to Dr Leighton.

There were as many as 30 petrochemicals plants which might come on stream in the Asia-Pacific region, said Ms Hilfra Tandy, editor of Chemical Matters. This could cause serious headaches for European manufacturers, she said.

Phone plant for China

UNIDEN, a leading Japanese maker of telecommunications equipment, said yesterday it would open a Y2.5bn (£10.9m) factory early next year in southern China to produce telephones, writes Robert Thomson in Tokyo.

The factory, to be built in the Shenzhen special economic zone, will gradually replace the company's offshore telephone production facilities in Hong Kong and Taiwan, where labour costs have risen and profit margins have fallen.

The factory is expected to have about 2,000 employees, expanding to 5,000 when target production of about 400,000 mobile and portable units a month is reached after a year.

Uniden, which sells about 92 per cent of output in markets outside Japan, said that it had chosen Shenzhen because of the low cost of labour and preferential taxation treatment.

The company, which transferred production from Japan in the early 1970s, designs telephones and broadcasting equipment at its headquarters near Tokyo.

Swedish group to update Latvian telephones

By Robert Taylor in Stockholm

TELEVERKET, Sweden's telecommunications company, has signed a letter of intent with the Latvian government to form a joint enterprise for modernising Latvia's telephone network, it was announced yesterday. A similar agreement was reached with Estonia, another Baltic republic, earlier this autumn.

It is hoped that both new companies will be in operation early next year but this depends on the willingness of the Swedish government to assist the projects with financial backing.

More than SKr1bn (£95m) will be required over the next two years in initial investment in radio links to international connections, fibre optic cables and telephone exchanges in Estonia and Latvia.

Televerket believe it will take up to 15 years to bring the telecommunication systems to Swedish standards. It is hoped to install 40,000 telephone lines in Estonia and 75,000 in Latvia by the end of 1993.

NY budget gap threatens Cuomo hopes

By Martin Dickson in New York

NEW YORK'S deepening budget deficit problems are casting a growing shadow over the prospects of Mr Mario Cuomo, the Democratic governor of New York state, running in next year's presidential election.

Mr Cuomo, generally considered the strongest candidate the Democrats could field against President George Bush, has been publicly mulling an entry into the party's primary elections for weeks. But he has indicated that he will not run unless he is confident New York's fiscal difficulties can be resolved.

Those difficulties deepened on Tuesday when officials said the gap in the state's budget for the financial year beginning next April could be \$3.6bn (£2bn) – double the previous estimate and more than 10 per cent of the total projected budget for 1992-93. The state faces a \$699m deficit for the rest of this year.

The new forecast was based on the assumption the regional economy, which is stuck in a deep recession, would continue to worsen, depressing tax revenues and raising social services expenditure.

Mr Cuomo, in an attempt to solve the fiscal problem and clear the way for a bid for the presidency, has proposed a novel multi-year budgetary process to the state legislature: tackling this year's deficit and next year's in a single package. However, the Republicans, who hold a majority in the state senate, have yet to respond to the governor's scheme – and, from the viewpoint of the national party, have every reason to try to frustrate it.

Mr Cuomo, however, argues that this week's increase in the projected deficit will force the recalcitrant senate to go along with him, and plan the inevitable spending cuts in an orderly fashion well in advance, rather than carry them out next year in a crisis atmosphere.

New York's deteriorating fiscal position will provide further ammunition to those national Republican strategists who argue that Mr Cuomo, far from being the Democrats' strongest candidate, would be a godsend to the Bush camp, which could portray New York as the "crime-and-taxes capital" of the world.

However, Mr Cuomo has been seeking to cast the Bush and Reagan administrations as the villains both for New York's ills – through their cuts in federal aid – and for the current national economic malaise. As one aide to the governor put it in an interview with Newsday, this week's budget crisis "either makes it impossible for him to run – or it makes it imperative".

Sotheby's record price for a Latin American work of art – the \$2.42m paid for a late 19th-century view of Mexico City by José Maria Velasco – stood just 24 hours, Antony Thorncroft writes.

At Christie's in New York on Tuesday a painting by Diego Rivera of a flower seller, "Vendedora de Flores" (above), made \$2.97m (£1.67m). Christie's auction was marred by the failure of a mural of present-day Mexico by David Alfaro Siquieros, estimated at up to \$2m, to find a buyer. It was built into a house in Los Angeles but could be moved, with care. A portrait of a child by Rivera sold for \$605,000.

Fears grow that Bush will back down on China

Lionel Barber and Nancy Dunne look at congressional suspicions

PRESIDENT George Bush's China policy is coming under fresh attack in the US, amid suspicions in Congress that the administration is about to back down on several important trade issues.

These suspicions have grown in the wake of the recent visit to Beijing of Mr James Baker, US secretary of state. Although senior US officials deny that concessions were offered to the Chinese leadership, evidence is emerging of carefully crafted compromises.

Mr Baker's trip – the first official senior US visit to Beijing since the Tiananmen Square massacre in 1989 – included 18 hours of talks on human rights, trade and arms control. The talks occurred as House-Senate talks were delicately poised on language placing conditions on the renewal of most-favoured-nation trade status for China.

Last July, Mr Bush secured support for MFN in Congress in return for: backing Taiwan's entry into the General Agreement on Tariffs and Trade regime, in addition to China's; pressing the Beijing government to clamp down on piracy of American computer software; and a commitment to tackle China's unfair trade practices, including the use of prison labour.

In addition to these trade issues, one of the most important goals of Mr Baker's trip was to secure Chinese agreement to suscribe to the Missile Technology Control Regime (MTCR) – the international regime which seeks to restrict the spread of advanced technology which could be used in chemical and nuclear weapons projects.

The issue is pressing because of reports that China would like to sell M-9 and M-11 missiles to Syria and Iran, a move which would undercut US efforts to broker a peace settlement in the Middle East and introduce new instability in a region already choked with weaponry.

Mr Baker also came to Beijing in search of support for US-led efforts to persuade North Korea to open up its nuclear processing facility at Yongbyon and disavow any attempt to build a nuclear device.

But China has promised on several occasions to subscribe to MTCR. After the reports of prospective missile sales to the Middle East surfaced in July, the US imposed sanctions on two Chinese companies and on the licensing of high-speed computers and satellites for China.

During a news conference last Sunday, Mr Baker said the Chinese had declared their "intent" to observe the MTCR, and that the two sides had an "understanding" that this covered M-9 and M-11 missiles, and he suggested that dropping trade sanctions might be a price worth paying.

But Senator Max Baucus, one of the most influential Democrats on trade issues, said this week he wanted China to go further than an understanding and actually sign the Nuclear Non-Proliferation Treaty and the MTCR.

On computer software piracy, Mr Baker said China had made "positive" proposals, but he offered no detail. A Chinese delegation is expected to arrive in Washington today to offer more details. If there is no agreement by November 26, the US could impose sanctions under the "Special 301" provision of US trade laws.

President Bush has rescheduled his planned trip to Asia and will travel to Australia, Singapore, Japan and South Korea from December 31 to January 10. The trip was postponed earlier this month amid criticism that Mr Bush was spending too much time on foreign affairs at the expense of domestic problems.

The US is also demanding more access to the Chinese market under a Section 301 complaint brought last month.

On Taiwan's membership of Gatt, Mr Baucus asked whether Mr Baker might have promised not to push Taiwan's membership in Gatt before Beijing is ready. In response, US officials assured him that the US would formally request the formation of a Taiwanese working party at the December meeting of the Gatt council, the first step to membership.

In the coming weeks, more detail should emerge about Mr Baker's mission. However, for all the controversy over Mr Bush's China policy, opponents still appear to lack the congressional votes necessary to override a veto of legislation imposing stiff conditions on China's MFN status. Thus, insiders say, the legislation will not make it to the president's desk this year.

US housing figures improve

By Michael Prowse in Washington

A STRONGER-than-expected rise in US housing starts in October yesterday broke a run of recent bad news on the economy.

The Commerce Department said starts rose 7.3 per cent to a seasonally adjusted annual rate of 1,096,000, the highest level since last November. Financial markets had been expecting a small decline in starts, in line with other evidence of a stagnant economy.

The department revised down its estimate of starts in September, to show a fall of 3.3 per cent.

Last month's rebound was broadly based. Starts rose in all regions and for all types of residential structures. Building permits – seen as the best guide to future construction trends – rose 5 per cent to register their second consecutive monthly increase.

Starts have trended higher since January, when they were running at an annual rate of only 847,000. Last month's unexpected advance – which could reflect the lagged effects of cuts in interest rates – is unlikely to prompt revisions in forecasts which point to sluggish growth of at best 1-2 per cent in the current quarter.

However, firmer signs of recovery may be seen as reducing the likelihood of a "double dip" recession involving a fresh decline in gross national product.

Economists will closely scrutinise figures for new homes sales, due out later this month, for confirmation of a recovery in housing. Sales of new homes fell sharply in August and September.

Mr Robert Brusca, chief economist at Nikko Securities in New York, said the figures, volatile on a monthly basis, did not suggest housing would drive the economy forward. There had been no snap back in consumer confidence, he warned.

White House pressed on Soviet food credits

By Lionel Barber

PRESIDENT George Bush was yesterday facing growing pressure to approve an additional \$1.5bn (£840m) in food credits to the Soviet Union to buy US grain this winter.

Senior Republican and Democrat senators warned of an impending political and social crisis in the Soviet Union and urged Mr Bush to lend decisive support.

The White House has hesitated to approve further credits after Congress voted down a plan to offer \$1bn humanitarian aid last week.

Uncertainty over the Soviet republics' willingness to assume responsibility for the country's \$84bn debt has also delayed the package.

Senator Richard Lugar, the influential Republican, said: "We simply must not be frozen at this point in time. History will judge us and the American people will judge us, particularly in the next generation if we do not do something now."

Court told of cocaine cartel link with Cuba

By Henry Hamman in Miami

A SENIOR member of the Medellín cocaine cartel said yesterday the cartel had a business arrangement with Cuban officials to ship cocaine from Colombia to the US via Cuba in the 1980s.

Mr Carlos Lehder Rivas, now a prisoner in the US, made the claim in testimony at the drug-trafficking trial of former Panamanian leader General Manuel Antonio Noriega in Miami Federal District Court.

He said Cuban officials also supervised an agreement for the transshipment of cocaine to the US via Nicaragua under the Sandinista regime.

Mr Lehder said the Medellín cartel had agreed with Gen Noriega in 1982 for protection of its operations in Panama, which he said included money laundering, transshipment of drugs and the shipment of chemicals to Colombia for the manufacture of cocaine.

In March 1984, the cartel paid Gen Noriega \$5m (£2.8m) for permission to build a laboratory. Later that year, after the cartel ordered the execution of the Colombian justice minister, cartel members were given safe haven in Panama.

US survey sheds light on Japan's barriers

By Charles Leadbeater, Industrial Editor

JAPANESE government policies are among the least significant obstacles which US companies face in their attempts to break into Japan, according to a detailed survey by the American Chamber of Commerce in Japan.

The survey of 340 leading US companies with operations in Japan, found that 65 per cent cited high fixed costs, particularly land and housing, as a factor limiting their penetration of the market.

About 62 per cent said difficulties in recruiting skilled staff were a factor, 51 per cent said US businesses' problems were the product of their own mistakes and 44 per cent said US companies did not try hard enough. Only a quarter of the respondents said government policies were inhibiting trade and investment.

The survey, conducted by AT Kearney, the management consultants, casts doubts on claims made by some US politicians that Japanese trade policies are an important barrier to foreign companies seeking to enter the Japanese market. The study comes amid renewed concern over the size of the Japanese trade surplus with the US.

Although the survey found a marked improvement in the environment for foreign companies doing business in Japan, the companies said they still faced important obstacles.

About 84 per cent of companies said Japanese government procurement practices were biased against foreign firms, although only 6 per cent said their Japanese competitors had access to subsidies which were not available to foreign groups. Almost half the US companies said the intricate web linking some Japanese companies and their suppliers were a significant factor.

Trade and Investment in Japan: The Current Environment. American Chamber of Commerce in Japan, Fukide Building No 2, 4-1-21 Toranomon, Minato-ku, Tokyo 105 Japan or AT Kearney, 130 Wilton Rd, London SW1V 1LQ.

Hyundai tries to weather tax storm

John Ridding reports on a test of strength in Seoul for a £106m bill

ORDEALS But No Failures is the title of the autobiography published last month by Mr Chung Ju Yung, founder and honorary chairman of the Hyundai Group, one of South Korea's largest conglomerates.

After the events of the last few weeks – which saw Mr Chung, his family and 10 Hyundai Group subsidiaries levied with penalty taxes of a staggering won 136bn (£106m) – Korea's best-known businessman is facing his biggest ordeal yet.

The penalty, imposed for irregular share transactions and the avoidance of inheritance taxes, has brought Hyundai into direct confrontation with the government and put a substantial financial burden on the group. Perhaps more importantly, it has come to represent a test of strength in the increasingly strained relationship between the administration and the *chaebol*, the large, family-owned business groups which dominate the economy.

The tax investigation into Hyundai had been steadily gaining significance since the surprise revelation in the national assembly last month that the National Tax Administration was investigating the company's affairs. But it entered a new and much more serious phase this week when Mr Chung announced that he was unable and unwilling to pay. "Hyundai simply does not have the money to pay, and we have no intention of paying," he said, adding that he would appeal against the penalty, the largest imposed on a Korean business group.

SOUTH KOREA'S LARGEST CONGLOMERATES 1990*

	Sales $bn	Exports $bn	No. of affiliates and subsidiaries
Samsung Group	43.4	13.7	48
Hyundai Group	39.6	5.9	42
Lucky Goldstar	25.0	7.6	62
Daewoo Group	16.0	4.8	24

*Sales figures converted at 1990 average exchange rates. Source: company figures.

The response from the tax authorities and from other government departments was swift and strong: "If they do not pay by the deadline (December 10), then we will have to start confiscating assets," said a tax administration official. Mr Kim Chong In, senior economic adviser to the president, declared: "An enterprise cannot reject the government's imposition of taxes." The scale of the penalty and the tense stand-off has understandably sent jitters through the shares of group companies. On Monday, shares in all but two of the 17 Hyundai companies listed on the Korean stock exchange fell, and many declined by the maximum daily limit.

Yesterday, however, saw some recovery. Hyundai Motors, Korea's largest car manufacturer, gained won 300 to close at won 25,800. It had fallen by won 1000 on Tuesday. Improvements were also recorded at Hyundai Cement and Hyundai Engineering. The movements in the market reflect a perception that, while Hyundai may have difficulty in raising the won 136bn, the survival of the group is not threatened and there may be some compromise with the government.

This perception is supported by a number of considerations.

On one hand, Korea's current economic difficulties – which range from a ballooning current account deficit, sluggish exports, and near-double digit inflation – mean that the government cannot afford to threaten the survival of one of the country's largest business groups.

With about 176,000 employees, exports last year of $5.9bn (almost 10 per cent of Korea's total exports) and a host of smaller companies dependent on orders from Hyundai subsidiaries, difficulties at Hyundai Group would be felt across the economy.

At the same time, the group is capable of absorbing the burden. The amount requested, while high, represents a fraction of Hyundai's assets.

The current stand-off may also prove strategic, with both sides taking extreme positions to improve their bargaining position. "This is a typical Korean struggle," says Mr Thae Kwarg, head of research at Barings Securities in Seoul. "Both sides act like they will never give in. But at the end of the day both will compromise and both will claim victory."

But, compromise or not, the implications of the investigation will continue to reverberate among Korea's conglomerates. In particular, the government has sent a strong signal that it intends to limit the transfer of wealth between the different generations of the family-owned *chaebol*.

Increased public ownership of the conglomerates and the substitution of professional management for family control are two of the top priorities of Korean policy. The fact that Hyundai has been taken to task for what is regarded as a common practice among the *chaebol* indicates that the government is getting tougher about implementing its aims.

The action against Hyundai will also add to growing tensions in the traditionally close relationship between business and government. This relationship, which has characterised Korea's successful economic development since the 1960s, has already been soured this year by government attempts to force the highly-diversified *chaebol* to focus on a smaller number of industries and to dispose of surplus real estate.

General Colin Powell (left), chairman of the US joint chiefs of staff, meeting his South Korean counterpart, Gen Chung Ho Kaun, in Seoul yesterday during the annual US-Korean security talks

N Korea in nuclear curb talks

NORTH Korea agreed in principle yesterday to keep nuclear weapons off the Korean peninsula, South Korean government sources said, AP reports from Seoul.

The agreement, of which there was no official confirmation, reportedly came at a border meeting between officials drafting an accord for December talks between the prime ministers of North and South.

The development, which followed months of pressure from the US and other countries, came during a visit to South Korea by Mr Dick Cheney, the US defence secretary. US officials have called North Korea's nuclear programme the biggest threat to security in Asia. General Colin Powell, chairman of the US joint chiefs of staff, was also in Seoul for talks with his South Korean counterparts.

However, there was no word from North Korea that it would relax its longstanding refusal to allow inspection of its nuclear facilities, as demanded by western powers. One source cautioned that it was premature to believe the North would accept inspections soon, but saw the agreement as hopeful. Without acknowledging it had such armaments, the communist North agreed at the border meeting to call for the elimination of nuclear, chemical and biological weapons, according to the sources.

Watchdog reprimands the Big Four over scandal

By Stefan Wagstyl in Tokyo

JAPANS' Big Four stockbroking groups, which have been embroiled in scandal this year, were yesterday reprimanded by the country's Fair Trade Commission.

The FTC, delivering its judgment on the compensation the brokers paid to favoured clients for trading losses, urged the Big Four brokerages to stop "unfair business practices". The commission ruled that the brokers had broken the Anti-Monopoly Law because the payments amounted to soliciting business by unfair means. The ruling, the severest judgment that the FTC can make, completes the commission's investigation of the scandal.

The ministry of finance, which earlier carried out its own investigation and imposed punishments, said no further penalties would be meted out because the FTC's findings were the same as the ministry's.

The Big Four brokerages are Nomura Securities, Daiwa Securities, Nikko Securities and Yamaichi Securities.

US and Pakistan discuss row

By Farhan Bokhari in Islamabad

A SENIOR US official yesterday completed two days of talks, described as cordial, with Pakistani leaders and was due to leave for New Delhi today.

The US cut off military and economic assistance to Pakistan last year after allegations that the country had acquired the capability to manufacture nuclear weapons. Pakistan denies the charge. Islamabad has also refused to open its nuclear facilities for international inspection unless India does the same.

Mr Reginald Bartholomew, under-secretary of state for international security, is the most senior US official to visit Pakistan since Washington suspended its programme of military assistance.

Mr Bartholomew held talks with President Ghulam Ishaq Khan, the prime minister, Mr Nawaz Sharif, and the army chief, Gen Asif Nawaz Janjua.

A US embassy spokesman in Islamabad said: "The under-secretary stressed in his meetings that the US views Pakistan as an old and valued friend and wants to pursue the best possible relations".

Among topics discussed were nuclear proliferation, the situation in Afghanistan, chemical weapons and other regional concerns.

Earlier this year, Pakistan proposed that the issue of nuclear non-proliferation should be resolved in a regional context through an arrangement that would apply to all countries in South Asia. Mr Bartholomew is expected to discuss the nuclear issue during his talks in New Delhi.

Mr Bartholomew will hold two days of talks in New Delhi focusing on the nuclear issue and Washington's backing for regional non-proliferation.

India withdraws offer to Iranians of N-reactor

INDIA has withdrawn an offer to sell a nuclear research reactor to Iran after stiff criticism in the United States, a senior official said yesterday, Reuter reports from New Delhi.

"A decision has been taken at the highest level not to sell the reactor to Iran," a senior official in the ministry of external affairs said. Earlier, a foreign ministry spokesman confirmed that preliminary discussions had been held with Iran over the proposed sale of a 10-megawatt nuclear reactor.

The US last Friday expressed concern over the proposed deal. The state department spokesman, Mr Richard Boucher, said that US assistant secretary of state, Mr Edward Djerejian, had raised the matter with Indian ambassador to Washington, Mr Abid Hussain.

"The United States has urged all nuclear supplier countries, including India, to avoid any form of nuclear co-operation with Iran, even under safeguards," Mr Boucher said. "There is not adequate evidence that Iran is genuinely committed to the exclusively peaceful uses of nuclear energy," he said.

Cicippio 'will be freed' within a week

Fate of hostages 'no longer linked to Israel'

By Lara Marlowe in Beirut

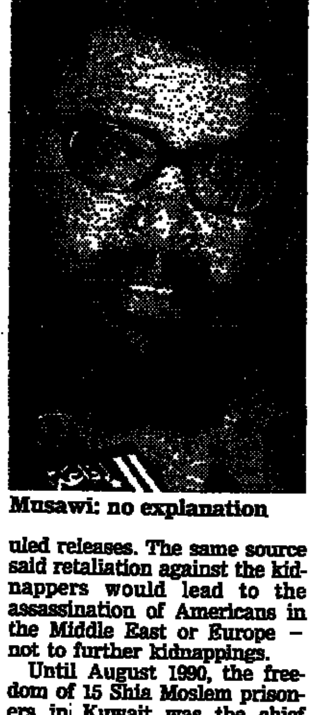
SHEIKH Abbas Musawi, secretary general of the pro-Iranian Hizbollah movement, said yesterday the liberation of western captives in Lebanon was no longer linked to the fate of Arab prisoners held by Israel.

The announcement was made as the official Iranian news agency IRNA predicted that American hostage Joseph Cicippio would be freed within a week.

Mr Cicippio, the comptroller for the American University of Beirut, was kidnapped from his apartment building on the university campus in September 1986.

"The issue of the Israeli prisoners and their swap (for Arab detainees) is a totally separate issue from that of the hostages," Sheikh Abbas said at a press conference in Beirut's southern suburbs. He gave no explanation for the reversal of the kidnappers' position, other than to say that "Israel is blocking any settlement". He reiterated earlier claims that Hizbollah was not involved in hostage-taking.

A person close to the kidnappers said "the hostage file is closed" and neither the Israelis nor an American attack on Libya could affect the scheduled releases. The same source said retaliation against the kidnappers would lead to the assassination of Americans in the Middle East or Europe – not to further kidnappings.



Musawi: no explanation

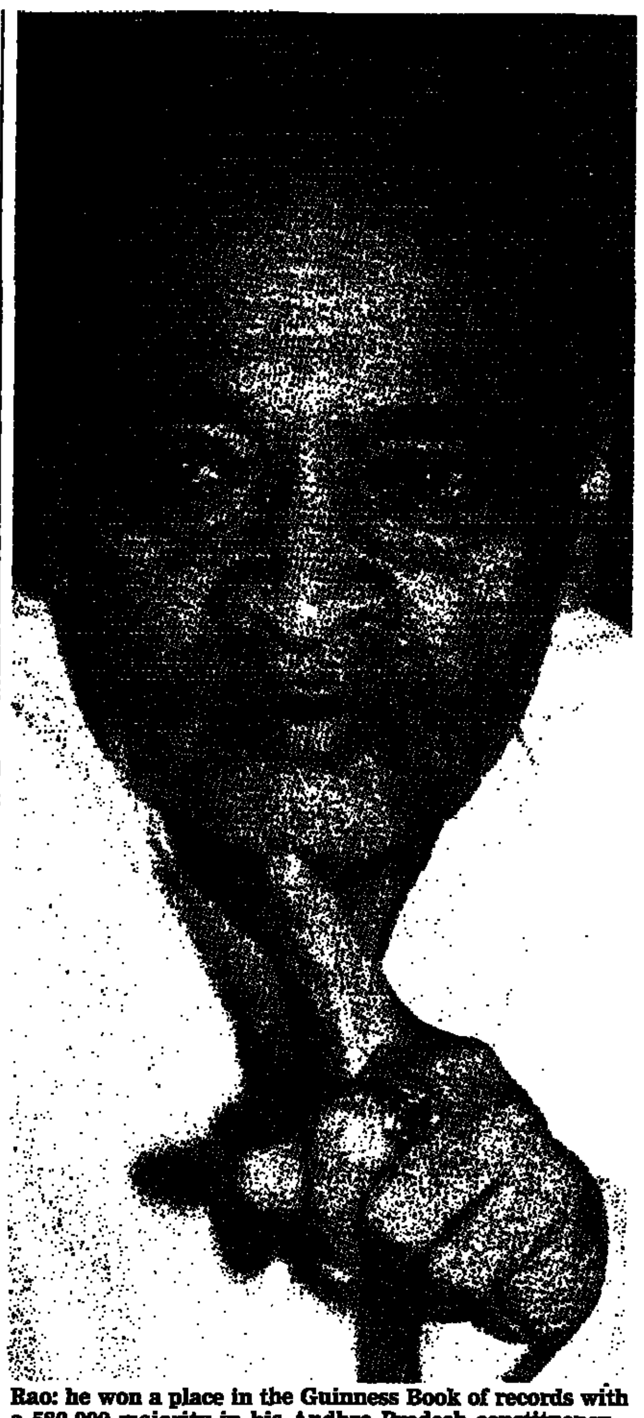
Until August 1990, the freedom of 15 Shia Moslem prisoners in Kuwait was the chief demand of Lebanese kidnappers. But the Kuwait prisoners escaped in the wake of the Iraqi invasion. The kidnappers' demands then shifted to more than 300 Arabs held by the Israelis, most in Khiam prison in southern Lebanon. The Israelis freed 66 Arabs this autumn in exchange for western hostages, the body of one Israeli soldier and confirmation of the deaths of two others.

The Israelis have become concerned that four servicemen still missing were being excluded from the hostage deal negotiated by Mr Giandomenico Picco, the United Nations envoy. Mr David Levy, the Israeli foreign minister, said yesterday that "the humanitarian mission undertaken in Lebanon...must not result in discrimination between the Israelis and other hostages held in Lebanon."

● Lebanese officials claim to have evidence linking Israel to the November 8 bombing of the American University of Beirut, according to newspapers published in Beirut yesterday. The car-bombing killed one person and destroyed the university's finest 19th century building and clock tower. It was allegedly carried out by Lebanese under the orders of the Israeli-financed South Lebanon Army.

Poll victory makes Rao more cautious than ever

Indian premier moves slowly on public sector reform after record win, reports David Housego



Rao: he won a place in the Guinness Book of records with a 580,000 majority in his Andhra Pradesh constituency

ELECTORAL success brings out boldness in some politicians. In others it seems to reinforce their determination to follow their own gut instincts.

Mr Narasimha Rao, 70, India's prime minister, is by nature a cautious man who prefers compromise to confrontation.

The sheer gravity of the economic crisis he faced when he came to power in June shocked him into an uncharacteristically radical package of devaluation and trade and industrial deregulation.

But his personal by-election triumph at the weekend – when he won himself a place in the Guinness Book of Records with a 580,000 majority in his Andhra Pradesh constituency – seems to have revived his confidence in his own preference for prudent change.

His message to industrialists this week has been that in tackling the potentially explosive issues of overmanning in industry and of improving public sector efficiency and competitiveness he intends to tread warily. He said he understood labour's fears and wanted to allay their misgivings.

In sharp contrast to Pakistan, which is selling off more than 100 state owned industries and banks, Mr Rao ruled out as "premature" any transfer of management to the private sector of India's nationalised industries or banks. Dr Manmohan Singh, the finance minister, added that he wanted to avoid the financial scandals that have accompanied Pakistan's hasty sell-off. Over the retrenchment of workers in a public sector where excess labour is probably close to 1m, Mr Rao wants to achieve a consensus with unions which are being brought face to face with the inability of the government to finance indefinitely loss-making units.

His caution, nonetheless, dismayed many foreign and Indian industrialists who believe that a far more radical shake-out of the public sector – whose size and dominance inflates costs throughout Indian industry – is necessary to improve competitiveness and export performance. Without a bolder approach, India also seems unlikely to attract the foreign resources and technology it needs to achieve a big restructuring.

Rao feels his consensus approach has served him well in defusing tensions over caste and religion

But Mr Rao feels that his consensus approach has served him well in his first four months of office in defusing tensions over caste and Hindu-Moslem controversies. He faces opposition to International Monetary Fund-style policies within his own Congress party.

He has failed to get trade unions to call off a one day national strike on November 29 to protest at threatened job cuts and privatisation and fears that this could trigger off more widespread industrial disruption.

Labour is apprehensive because India has no history of retrenchment and plant closures. Mr Jyoti Basu, the Marxist chief minister of West Bengal, publicly urged the prime minister to postpone the closure of seven loss-making industries in West Bengal. In a letter to the prime minister, he asked him to desist from decisions "which are bound to do more harm than good".

But if Mr Rao seems hesitant over industrial restructuring, he has left no doubt of his commitment to macroeconomic stabilisation and to maintaining the momentum of liberalisation.

The 1992-93 budget which the government is to present in February will further cut the budget deficit to 5 per cent of gross domestic product while initiating a medium-term programme of tariff cuts to reduce protection and stimulate competition. Officials are now talking of the rupee being made convertible in trade transactions much sooner than the three-year horizon established in June.

The government expects to take up the issue of financial sector reform after receiving this week the report of a specialist committee. With privatisation of state-owned banks ruled out, the emphasis will be on creating new private banks.

The other area where the government is moving slowly is in removing the bottlenecks to growth that stem from power shortages and from poor telecommunications. There was little sign at the investment conferences being held in New Delhi this week of a change in tack that would bring forward substantial investment in these sectors from the private sector or abroad.

UK urges Kenya to release critics

By Julian Ozanne in Nairobi

BRITAIN yesterday urged Kenya to release government critics arrested last weekend and repeated calls for it to tolerate legitimate dissent. The call came as Kenyans broadly approved the unexpected sacking of Mr Nicholas Biwott, the minister who was once the second most powerful man in the land.

In the strongest statement made so far by a British official, Mrs Lynda Chalker, overseas development minister told parliament: "We have told the government that oppression of opposing views is not the way forward and we have called upon them for futher progress towards democracy."

Her comments followed the dismissal on Tuesday of Mr Biwott, president Daniel arap Moi's closest political associate. Mr Biwott has been named as a prime suspect in the murder of Dr Robert Ouko, the former foreign minister.

Mr Biwott has denied the allegations of murder and corruption levelled against him as "foreign propaganda."

The dismissal should encourage political debate on corruption and the need for a multi-party democracy, while leaving several senior government officials wondering if they are next for the axe.

Mr Biwott, who held the energy portfolio for nine years before his recent shift to industry, is widely regarded as using his extensive influence on the president to resist calls for political change. His sacking, many Kenyans believe, has strengthened the hand of reformers in the government.

Western donors, who meet in Paris next Monday to discuss, among other things, the impact of corruption on the economy, were expected to welcome his removal.

Concern about the way Mr Biwott ran the energy ministry and executive multi-million dollar projects had also led to the World Bank holding back a \$140m-\$160m loan to the energy sector.

Britain decided earlier this year not to send an aid shipment of oil to Kenya because of allegations of corruption.

Records in the companies department of the attorney-general's office in Nairobi show that Mr Biwott first entered the business world in 1975 in partnership with Mr Moi in a company called Lima originally formed to import agricultural machinery. Mr Moi was vice-president of Kenya and Mr Biwott was his private secretary. How this initial business relationship has developed over the years is unclear.

Mr Biwott went on to develop a beneficial interest in Prudential Assurance Company, HZ Construction, Kobil and Kenol, two petroleum distributors, Air Kenya, a large indoor shopping centre, and several other lesser companies.

Heavy casualties in Somali civil war

HOSPITALS in the Somali capital Mogadishu are admitting more than 300 casualties a day as a result of intense fighting between rival groups of soldiers, the charity Medecins Sans Frontieres (MSF) said yesterday, Reuter reports from Brussels.

MSF said the population of part of the city was cut off from medical help by the fighting between forces loyal to General Mohamed Farah Aideed and troops supporting his arch-rival, interim President Ali Mahdi Mohamed.

MSF said its teams had been working non-stop since last Saturday to cope with the wounded in hospitals and to distribute medical supplies to clinics.

Reports reaching the Kenyan capital Nairobi on Monday said that Gen Aideed's men had ousted his rival after two days of vicious street fighting.

On Tuesday, aid workers and diplomats reported that troops loyal to Gen Aideed appeared to be in command of most of the city.

Oxfam urges western help for Iraqis

By Stephanie Gray

MILLIONS of innocent Iraqis are suffering from disease, malnutrition and contaminated water, while voluntary agencies alone are unable to solve problems caused by destruction in the Gulf war, Lord Judd, the director of the British charity Oxfam, said yesterday.

Lord Judd called on western governments to recognise the scale and nature of the crisis and accept responsibility for tackling it.

His comments coincided with Baghdad's release of a billion dollar shopping list of medicines it says it cannot buy because of western clamps on its assets.

The list was made available as Prince Sadruddin Aga Khan, in overall charge of the UN relief operation in Iraq, opened talks with Iraqi officials on the effects of the UN's continuing trade blockade.

Prince Sadruddin met Mr Ahmed Hussein al-Sammarei, the Iraqi foreign minister, at the start of three days of talks about UN terms for Iraq to buy food and drugs it says it urgently needs.

He is also due to discuss the expiry at the end of December of the UN's mandate to station relief agencies in Iraq to cope with the human aftermath of the Gulf war.

Under the terms of the sanctions, imposed after Iraq's invasion of Kuwait in August last year, Baghdad is allowed to buy any food and drugs it wants but complains it cannot because Western governments have frozen \$4bn of its assets.

Baghdad is angry about a Security Council resolution which would allow it to sell \$1.6bn of crude over six months to pay for such imports, but under strict monitoring by UN staff inside and outside Iraq. Baghdad says this is unacceptable interference.

Iraqi officials claim they have carried out Gulf War ceasefire terms on the scrapping of Iraq's weapons of mass destruction and that the embargo should now be lifted.

Lord Judd, back from a week's visit to Iraq, said Oxfam was concerned also about the long-term effects of malnutrition on a generation of children who would never develop their full intellectual potential. Babies of between one and six months often weighed only six pounds.

Iraqi doctors say infant mortality has more than doubled because of drug shortages while malnutrition is rife in poor areas and drinking water is contaminated because of bomb damage.

Oxfam believes between 7m and 8m Shias in the south are at far greater risk than the 3m Kurds in the north. There are far fewer voluntary agencies working in the south and less access for those that are. Lakes of sewage are commonplace and diarrheal diseases rife.

Iraqi officials and voluntary agencies alike had been frustrated at delays involving material such as large machinery, needed to re-establish clean water supplies, but held up for fear that it might be used "for something else."

R-R wins £100m US order for engines

By Andrew Taylor, Construction Correspondent

ROLLS-ROYCE, the UK aero engine company, has won an order worth up to £180m to supply USAir with RB211-535 engines to power a fleet of up to 30 Boeing 757 aircraft.

The order reinforces Rolls-Royce's dominant position in the 757 market. The airline is to acquire the aircraft over the next 6 years. Pratt & Whitney of the US, part of United Technologies, is Rolls-Royce's only competitor for the twin engined medium to long haul 757 jet.

So far 35 airlines, three-quarters of those operating 757s, have ordered British engines. The latest contract brings the number of Rolls-Royce powered 757s delivered, or ordered, to 403.

USAir is the fifth US carrier to operate 757s with Rolls Royce engines. It has ordered 15 new 757s for delivery in 1993-94 and taken an option on 15 more.

The airline will also lease 10 former Eastern Airline 757s powered by the 40,100 lb thrust 535 engines. Other US airlines using 757s with Rolls Royce engines include American Airlines and America West. USAir said it will use the new aeroplanes to expand services in existing markets.

The choice of British engines by another leading US airline may soften some of the disappointment felt by Rolls-Royce over its failure to secure more orders for its Trent engine.

HEALTH AND SAFETY EXECUTIVE

Companies face large losses on work accidents

By Diane Summers, Labour Staff

UK COMPANIES are seriously under-estimating the total potential costs of industrial accidents, the Health and Safety Executive warned yesterday

The executive said some companies face uninsured losses up to 27 times the amounts they pay in employers' liability insurance. These losses, most of which cannot be covered by insurance, stem from lost production time, damage to equipment and employees' time taken up in dealing with accidents.

Mr Tony Lineham, HM chief inspector of factories, said the financial losses were "an economic haemorrhage which business cannot sustain".

The minimum cost to industry from accidents is currently calculated to be £2.5bn a year. Two people are killed every working day and 3,500 suffer significant injuries at work, with working days lost totalling 31m last year, said HSE.

Indications from HSE's latest research are that the true cost of industrial accidents could be much higher than previously realised. Initial findings of a detailed study suggest that uninsured losses amount to between six and 27 times what companies are paying out in insurance premiums.

There has been a two-thirds increase in real terms in employers' liability insurance costs over the past decade and a doubling of claims since 1985, according to figures supplied by the Association of British Insurers, said HSE.

Mr Steven Bird, analyst with securities house Smith New Court, confirmed that premiums for employers liability insurance had increased by 20 per cent last year, compared with the year before. It is estimated that employers will pay out a total of about £570 this year for employers liability cover.

Mr Linehan said that losses to industry from accidents were "not inevitable, and experience has shown that real and substantial improvements can be achieved," with the proper application of health and safety management systems.

Mr David Eves, HSE deputy director general, speaking at the launch of a guide to safety management, said that the 1980s had seen a series of disasters, including the sinking of the Herald of Free Enterprise, the Kings Cross fire, the Clapham rail crash and the Piper Alpha deaths.

All the enquiries into the disasters had indicated management failures, he said.

The losses and costs of accidents and ill health at work were described by Mr Eves as a "Bermuda triangle for business". Serious financial losses, deaths and injuries at the apex of the triangle arose from the many minor events which occured at the base of the triangle, he said.

35 people were killed near Clapham, south London in December 1988 when two trains collided

Money supply growth weak

By Peter Marsh, Economics Staff

WEAK growth in the supply of money in the economy, shown up in official figures published yesterday, have reinforced indications about a hesitant recovery.

Although the latest figures for M0 – a narrow measure of money, which consists mostly of notes and coins in circulation – are consistent with a slow upturn, other statistics covering lending by banks and building societies show that consumers and companies are still reluctant to take on new debts.

Many economists believe that unless individuals and businesses become keener to take on new loans, the expected recovery will remain weak.

According to the Bank of England, M0 grew last month at an annual seasonally adjusted rate of 2.6 per cent, compared with a revised 2.3 per cent in September.

While the M0 figure for last month is some way below the numbers recorded during the last six months of 1990, which averaged 4.2 per cent on a year-on-year basis, it is the biggest increase in the measure since February. As a result, the M0 data support theories that a pick-up in activity started around the summer.

However, the strength of this apparent upturn was thrown into doubt by separate Bank figures for M4 – a broad measure of money which includes private-sector holdings of notes and coins, and also bank and building society deposits.

Last month, M4 grew at an annual rate of 6.3 per cent, after a revised 6.5 per cent in September. While this is the smallest annual growth rate for more than 20 years, indicating a weak demand for credit, many economists believe the M4 numbers have been affected by the large amounts of equity raised by companies recently in rights issues. That has reduced the borrowing requirements of the corporate sector, and may have lessened the reliability of M4 as a guide to activity.

Suggestions of economic weakness were, however, underlined by the £1bn of extra lending in sterling by banks and building societies last month, after £913m in September. In both July and August, banks and building societies lent more than £3bn.

According to Mr Nigel Richardson, an economist at S.G. Warburg Securities, the small rise in lending last month – after a September figure which had been depressed by borrowers' interest payments at the end of the third quarter – illustrated the fragile state of the upturn.

Treasury forecasts a modest recovery

By Rachel Johnson, Economics Staff

THE Treasury yesterday said the UK economy would grow as forecast by ¼ per cent in the second half of the year, in spite of data which this week showed that the non-oil economy continued to be in recession in the third quarter.

Mr Alan Budd, the chief economic adviser to the Treasury, said that a "modest recovery was beginning", in response to questions on the Autumn Statement from MPs in a Commons committee.

He said that the third-quarter rise of 0.3 per cent in output (which was wholly caused by higher production from the energy sector) denoted an upturn according to his non-technical definition of the term.

"I can't see any reason not to call it a recovery if the economy is growing," Mr Budd said.

But he also said that his Autumn Statement forecasts were hedged with two "inevitable uncertainties" – foreign economic developments such as the behaviour of the US economy and the eccentric behaviour of the UK consumer.

The rise in GDP next year of 2.3 per cent was predicated on two developments: a sharp increase in consumer spending and a decline in the savings ratio – the proportion of income saved rather than spent.

Mr Budd acknowledged that a recovery in spending was still uncertain, but he said that real incomes were growing and that "historically high levels of wealth would underpin consumption".

BRITAIN IN BRIEF

Virgin agrees to sign the Stones

Virgin Records has concluded an agreement with the Rolling Stones, who were previously contracted to Sony Music. The agreement takes effect in 1993 and is believed to involve payment to the group of between \$30m and \$40m.

The Rolling Stones have undertaken to produce three new albums for Virgin. From March 1993 Virgin will also acquire the group's back catalogue from 1971 onwards.

Civil service pay dispute

Her Majesty's Stationery Office, which last year became the first Civil Service agency to break away from national pay agreements, has made a pay offer well below the public sector average for this year. HMSO has offered 3 per cent from October 1, or 4.7 per cent from January 1. It has been rejected by the unions.

The government is encouraging its departments and agencies to introduce their own pay scales independent of national agreements. The Civil Service unions are determined to maintain collective bargaining arrangements.

Anglo-Irish agreement

THE Irish government has given assurances that legislation to extradite alleged IRA terrorists from Ireland to the UK will be changed as soon as possible, said Mr Peter Brooke, the Northern Ireland Secretary, after the latest round of talks in Dublin of the Anglo-Irish Intergovernmental Conference.

Mr Ray Burke, the Irish Justice Minister, said he wished to see changes to British legislation, to ensure that extradited persons would be tried only for the offences for which they had been extradited, and not face the possibility of additional charges once in British custody.

School exams to be changed

The government has bowed to pressure from its MPs and independent schools and is to overhaul the GCSE examination, taken by most 16-year-old pupils in England and Wales.

A new grade more difficult to attain than the current "A" will be introduced from the summer of 1994 and from next September coursework will account for a maximum of 20 per cent of the marks in most subjects.

European education, Page 2

Building orders continue to fall

Construction industry order books are continuing to deteriorate, according to figures published by the Department of the Environment.

Orders during the three months to the end of September were 6 per cent lower than during the previous three months and 9 per cent lower than during July to September last year. Private commercial building was the worst affected but there was also no sign of an improvement in house prices.

Belfast airport to be privatised

Bombardier, the Canadian transport group, may bid in the privatisation of Northern Ireland Airports, the company which runs Belfast International Airport.

Bombardier already owns both Short Brothers, the Belfast aircraft and missile manufacturer, and Belfast City Airport.

London small businesses fail

London's small businesses have been badly hit by the recession, high interest rates and banks' cautious lending policy, according to a report.

The Association of London Authorities said that 12,359 businesses failed in the first three quarters of 1991 in London and south-east England compared to 10,977 in the whole of 1990 and 6,966 failures in 1988 at the height of the boom. Company liquidations totalled 7,550 in the first three quarters this year while bankruptcies increased to 4,809.

Post Office may diversify

The Post Office is in talks with several international companies with continental European operations, with the aim of handling their bulk international mail in the UK rather than in the countries where it originates, chairman Sir Bryan Nicholson (pictured) announced.

The Post Office believes its highly automated offices will allow it to offer lower prices for bulk mailings than postal services on the Continent.

Big business art sponsors

Business sponsorship of the arts in the year ending march 1990 was much higher than expected at £57.2m, according to the Association for Business Sponsorship of the Arts.

Of the total, £44.6m was from direct sponsorship and £12.5m from corporate membership schemes. If donations for which no commercial return is sought, or promotion and hospitality expenditure on sponsored events are included, corporate spending on the arts would be around £100m.

Arts organisations based in London attracted 52 per cent of the cash and over 80 per cent of the money from corporate schemes.

Job agency in race case

A large employment agency racially discriminated against ethnic minority job seekers by acting on subtle discriminatory instructions received from its clients, a formal investigation by the Commission for Racial Equality has shown.

A trainee of T & T Personnel, which operates in London and Essex, claimed a manageress had prevented her from referring well-qualified ethnic minority job seekers to two Japanese-owned banks and a colleague had instructed her not to send ethnic applicants to a model agency.

East Midland optimism up

The lastest six-monthly report on business opinion in the east Midlands found "only 12 per cent of businesses expect conditions to deteriorate".

However, the survey – by Price Waterhouse, consultants, and Nottingham Business School – acknowledged that in the six months to October, 47 per cent of businesses reported a fall in sales and 52 per cent either losses or lower profits.

Submarines need more tests

The first of Britain's latest class of diesel-electric submarines will spend most of next year having a design defect corrected.

The £140m Upholder was delivered less than a year ago after a three-year delay. It has been discovered that in certain circumstances the outer doors of the torpedo tubes might be open at the same time as the inner doors, letting water into the submarine.

Little sign of consumer boom

There is little sign of an imminent consumer boom, according to a survey of confidence and spending intentions. The survey, conducted by Gallup on behalf of Barclaycard, shows that consumers are still struggling with their borrowings and are cautious about taking on new debts to finance spending.

Public support more welfare

Public support for state health and welfare expenditure is increasing, says the latest British Social Attitudes survey.

Support for higher state spending on welfare has risen from 32 per cent in 1983 to 54 per cent last year. Health, education, retirement pensions and child benefit are leading targets for more spending.

Call to improve maternity rights

The Equal Opportunities Commission has called on the government to take immediate action to improve maternity rights.

It wants the government to respond positively to the European Commission's directive on maternity leave by announcing new framework legislation giving a minimum of 14 weeks maternity leave.

Attempt to unify engineers

A new attempt to create a single national body to represent the engineering professions has been announced by Sir John Fairclough, (pictured) chairman of the Engineering Council, the umbrella body for 46 professional institutions.

It is hoped that a more unified structure might appeal to around 250,000 qualified engineers who have yet to register with the Engineering Council.

UK NEWS – THE EUROPEAN DEBATE

No early move on currency says Major

By Ivor Owen, Parliamentary Correspondent

BRITAIN will insist that market forces and not any conditions laid down by the European Community should determine the size of budget deficits operated by individual member states, Mr John Major, the prime minister, stressed in the House of Commons yesterday.

Opening the two day debate on the government's approach to next month's negotiations at Maastricht he reaffirmed that there could be no question of early acceptance of a single European currency.

To cheers he warned the other members of the EC not to under estimate the goverment's determination to secure satisfactory terms.

He stressed that anyone who believed that after initial protests and objections Britain would sign up at the 59th minute of the 11th hour to whatever was on offer that they would be guilty of a "fatal" misjudgment.

Mr Major satisfied the anti-federalists on the government backbenches with a forthright assurance that a treaty which described the Community as having a "Federal vocation" would not be acceptable.

But he soon found himself in direct conflict with Mrs Margaret Thatcher, his predecessor, after again rejecting calls for a referendum before new treaty commitments deprived parliament of any of its existing powers.

In a powerfully argued and frequently interrupted speech Mrs Thatcher insisted that the British people were entitled to an advisory referendum before there was any question of sterling being abandonded in favour of a single European currency.

While declaring her support for the government's approach to Maastricht she pressed the prime minister to ensure that "quite unacceptable" proposals on economic and monetary union were removed from any treaty he recommended to parliament.

Mrs Thatcher,who accused Mr Neil Kinnock, the Labour leader, of being ready to accept a single currency even before the outcome of the Maastricht negotiations was known, jocularly looked to Mr Major to use a cricket bat instead of the handbag which she acknowledged having wielded, on some occasions, in tough bargaining with EC leaders.

Mr Kinnock,who complained that Tory backbenchers had sought to disrupt his speech by organised barracking, backed demands for a a more positive approach with a warning that the government was in danger of relegating Britain to the "second division" of the EC.

The prime minister identified a series of "crucial points" which the government would put forward at Maastricht: economic and monetary union. There must be strict economic convergence, and a provision which allowed Britain to decide whether, and not just when, to join a single currency.

- Political Union: Nato's position must be safeguarded, and the creation of competing European defence structures avoided.
- Foreign policy: Agreement for co-operation "must not interfere with our ability to take decisions in our own national interests".
- European Parliament: Any increased powers given to it should provide for greater control over the European Commission, but not permit it to become the equal of the Council of Minister in making policy for the EC.
- Extension of Community competence: Must be constrained to areas where Community action made more sense than national action or than action on a voluntary, inter-governmental basis.

The prime minister emphasised that there were some areas where it was essential to ensure that Community law applied throughout all the member states.

"A single market can only work if there are common standards," he said. "We need to know that our goods can compete on equal terms when we export. We want to be confident that imports meet safety standards".

Amid further cheers from Conservative MPs Mr Major made it clear that there should be no repetitition of the recent attempt by the European Commission question the route of a by-pass approved by the government after the normal planning procedures.

"Whether a town by-pass goes to the east or the west has nothing whatsoever to do with cross-frontier pollution or competition policy or any other aspect of the single market".

The prime minister was adamant that these were issues which should be settled at national level.

Mr Major assured the House "We will not agree to extensions of Community competence which have nothing to do with fair competition but which would undermine the hard won ability of industry to compete".

Debating points: Neil Kinnock, opposition leader, (left) and Prime Minister John Major trade arguments yesterday

Kinnock says Tories 'playing for a draw' on union

THE British government was "playing for a draw" in its negotiations over economic and political union, Mr Neil Kinnock, the leader of the opposition Labour Party said yesterday, as he painted a picture of an administration half-hearted and defensive in its approach to Europe writes Alison Smith.

Mr Kinnock devoted much of his speech to the damaging practical consequences of insisting on the "opt out" clause in the treaty on monetary union, saying that this fundamentally undermined confidence in the government's commitment to the European process.

"Opting out would mean losing out", he said, asserting that there was no need for the clause because none of the EC countries would join a monetary union without getting a parliamentary mandate. Ministers should stop trying to persuade themselves that there was "some sort of semi-detached arrangement that can be made".

But he was challenged by Mr Norman Lamont, the chancellor of the exchequer, who rejected his assertion, and asked whether Labour would sign up irrevocably to monetary union without a further reference back to parliament.

"I would not be giving the evidence of bad faith of looking for an opt-out clause, and the reason is that, unlike the prime minister, I don't have to try and patch my party together," Mr Kinnock replied, to Tory derision.

Mr Kinnock warned of severe implications for the government's strategy: if it continued to stand apart from the moves towards economic union, then both inward investors and British investors would no longer give priority to investing and developing in Britain.

"Even before there is an immediate prospect of monetary union, it has to be recognised how vulnerable Britain would be if the strategy of the Government was to avoid a commitment to the process underway in the Community," he said.

Margaret Thatcher

Tranquillising start to the great debate

By Ivo Dawnay, Political Correspondent

THE Old philosopher MP was quite definitive. "They never add up to much these great set-pieces," he said. "Really explosive parliamentary occasions are always unexpected – like a foreign secretary's resignation speech, for example."

A little more than a year after Sir Geoffrey Howe, who was then foreign secretary, resigned the great European debate began much as predicted.

To describe the prime minister as anti-climactic would be unfair. After all, his was the task of starting the show. But the news that Mr John Major was planning to speak for a very considerable period of time had a suitably tranquillising impact on the more exciteable heads in the house.

A suitable litmus test of the drama of the moment naturally presented itself in Mr Peter Shore, the veteran Labour anti-marketeer – the designation that most fairly dates his years of service in Britain's home guard.

As a passionate opponent of further EC integration, Mr Shore began by writing copious notes on a large pad balanced on his knees. But as the full drama of the government's negotiating position began to unfold, his pen stuttered and slowed.

"Where we can act together, we will do so," Mr Major was intoning with the kind of deliberate ennunciation used by firm but fair language teachers to classroom of restless adolescents. "Where we can act on our own, then we will do so."

Ahead of him, Mr Shore's pen had stopped altogether. His head was close to nodding, though not, one suspected, entirely in agreement.

Only when Mr Neil Kinnock, the Labour leader, took to his feet did the House pull itself together. In an effort to lend some jollity to the occasion, Mr Robert Adley, a Tory MP ,interrupted to ask for an example of when Mr Kinnock hadn't changed his mind.

"We entered the house on the same day," Mr Kinnock replied. "I formed the view then that he was a jerk."

Once the explosion of laughter and protests had died down, few perhaps had noted that the date of both men's debut in the chamber was 1970, suggesting that he has now an impressive 21 years of consistent mind-changing to his credit.

Like the formidable old performer that she is, Mrs Thatcher made the most of her return to the stage.

But her slip in refering to Mr Hurd as "my foreign secretary" only underlined, the sentimental nostalgia that suffused the act. One suspects that increasingly she will be cast in cameo roles.

Thatcher urges vigorous fight against draft treaty

A referendum on European integration would be justified if all the main parties were backing the proposed changes at general election and so denying the public a voice, Mrs Margaret Thatcher, the former prime minister, said last night writes Ralph Atkins.

She urged the government to fight "vigorously and persistently" against the draft treaties on European integration which would lead to an "enormous and unacceptable" transfer of responsibility away from Parliament.

The former prime minister said she would support the government motion tonight because Mr Major faced a difficult task, "and therefore needs our support in making those negotiations".

A referendum on constitutional issues would be justified if all the three main parties were backing the proposed treaties. Opponents of change would have no alternative but to vote for extremists.

It was not clear, however, if she would back a referendum after the Maastricht summit or after a general election in which the main parties backed the changes. She said ministers had to make clear that "there are certain points on which we are not prepared to surrender".

TECHNOLOGY

Drugs in database safety net

The announcement last week that various national drug regulatory authorities are accelerating their licensing procedures was welcomed by the pharmaceuticals industry. But the danger of speeding up the process is that adverse side effects of new compounds could be missed by the authorities.

To co-ordinate its efforts, the UK regulatory authority, the Medicines Control Agency (MCA), has set up a £2m computer system to monitor adverse effects of drugs once they have arrived on the market.

The MCA claims the system, called Adverse Drug Reactions On-line Information Tracking (Adroit), is the fastest and most sophisticated system in the world.

It was developed with Andersen Consulting and is designed to improve the accuracy of data, reduce processing time and help analyse information.

Adroit, which is based on a Pyramid mini-computer, will handle the 20,000-odd adverse drug reaction reports made by doctors, dentists and coroners in the UK every year as well as 250,000 existing records.

Each paper-based report is recorded into the system using Fujitsu scanners, and the information stored on optical disc. Previously, it took up to 30 days to enter the data manually. The scanners are now able to process 240 reports an hour and the MCA hopes the records will be entered within 48 hours of arrival.

The reports can then be retrieved from the database using one of 25 personal computers.

The database has special alert programmes which the MCA claims will allow it to identify drug safety problems as early as possible.

Adroit should allow the MCA to analyse a priority report within hours rather than the 30 days taken up until now.

The MCA plans to extend the system by linking it to department of health regional centres, pharmaceutical companies and other national regulatory authorities.

Paul Abrahams

Richard Lapper describes a system which will bring the life insurance industry out of the dark ages

The computer takes cover

Leading British life insurance companies are pressing ahead with an information technology initiative designed to streamline the way the industry's products are sold.

The Exchange, a venture which has been funded by 20 insurance companies, last month announced the acquisition of Inview, one of the UK's biggest computerised rate quoting systems.

The deal is the first stage in a programme designed to introduce and harmonise the use of advanced information technology across the life insurance industry.

Relations between insurance companies – which "manufacture" life insurance and investment products – and the brokers, agents, intermediaries and salesmen – which "distribute" them – could be transformed, reducing costs and increasing efficiency at a time when market conditions threaten the long-term viability of many smaller companies.

"We're cutting a knife through the entire technology development cycle," says Paul Lindsey, managing director of the Exchange. He says that a group of European insurers has already launched a system – the Belgian-based Assurnet – which is well in advance of anything currently available in the UK.

"If we don't do it someone else will," says Lindsey, warning that the potential European competition outweighs any fears among companies that by co-operating with their rivals they would be sacrificing competitive advantage.

The UK's large mutuals have played a catalytic role. Standard Life, the UK's biggest mutual company, Norwich Union and Scottish Amicable started the ball rolling by setting up a joint venture – Origo – to explore possible new technology initiatives in 1989. Origo owns 67 per cent of the Exchange (AT&T Istel, the network services company, owns the remainder).

Explaining the rationale behind the creation of Origo, David Munro of Standard Life says that although the insurance industry had been relatively quick to introduce technology to its back room operations – bringing in large mainframe computers in the mid to late 1970s into headquarters – it has been much slower in introducing new technology to distribution.

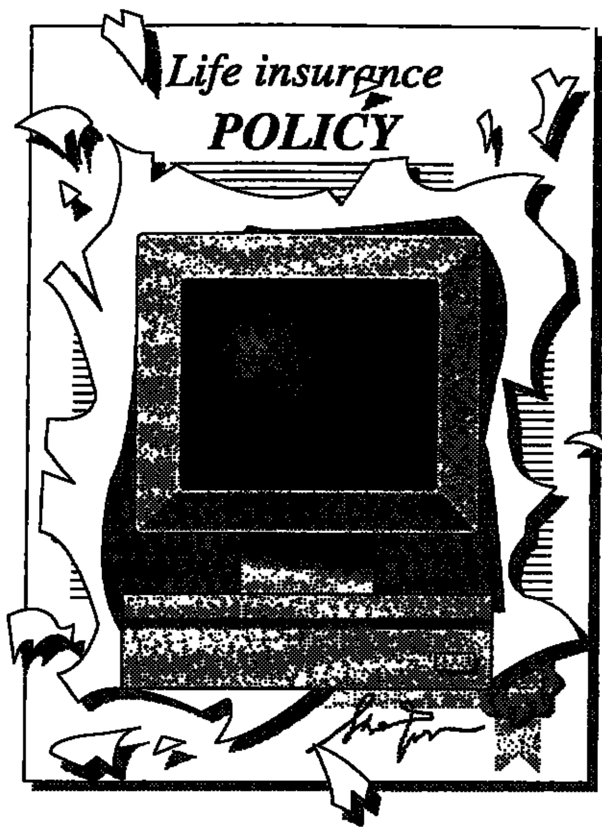
"Computerisation had been extended to every nook and cranny of their operations but the whole thing stopped dead at the branch door," he says.

For companies like Standard Life, heavily dependent on independent financial advisers (IFAs), the distribution system was "still paper and post driven. It was virtually the same as it had been at the beginning of the 19th century," says Munro.

He adds that the system came under enormous pressure in the 1980s for two reasons.

- Demand for life insurance surged, with growth rates reaching 20 per cent a year. New homeowners provided an important market for mortgage endowment policies, while the government's decision to free up the state pensions system gave a powerful boost to the personal pensions market. The growth in new business itself created major administrative headaches for intermediaries and life insurance companies alike.
- The 1986 Financial Services Act has added to the pressure. New consumer protection regulations, designed to guarantee the quality of advice given to consumers, have increased costs for many intermediaries, with complicated new compliance codes adding to the mountains of paper in their offices. Many smaller IFAs have been forced to abandon independence.

One of Origo's first actions was to conduct a detailed surveys of IFAs' responses to new technology. Origo found that although a large number of intermediaries deployed no technology at all, as many as 21,000 outlets – including brokers, advisers, banks and building societies – work with the simplest form of computer sales technology, the so-called videotex quotation system, available since the mid-1980s.



In this system, which has been pioneered in the travel agency business, the intermediary calls up a program via modem communication with a database maintained by the system operator.

The program contains details of a range of policies from the insurance companies which subscribe to the service, allowing the salesman or broker to enter a customer's details and obtain an instant range of alternative quotes.

A smaller but still substantial number of intermediaries deploys some of the enormous range of other software available which allows them to streamline their own backroom operations, processing policy and customer information as well as improving in-house finances, accounting and planning. These systems are sometimes linked up via electronic mail to the offices of life companies, allowing brokers and agents to obtain quotes, process new business and deal with policyholder queries.

The Exchange has developed a three-pronged strategy:

- To control Inview, one of the two major videotex operators in the UK. Lindsey says that by obtaining the industry's backing, Inview may be able to grow its share of the market. This could be at the expense of its main competitor in the field, British Telecom Insurance Services. Insurance companies, whose fees sustain the operations of the network carriers, will be unlikely to be keen to support competing services, Lindsey believes.

The Exchange will now begin developing the range and sophistication of videotex services, spending £500,000 over the next six months.

It also plans to increase the range of products available – quotes for about 60 per cent of life policies are now available on the system – and aims to expand capacity to process new business and issue policies.

In motor and household insurance – where policies are simpler and where brokers can often underwrite on behalf of the insurer – the policy can be agreed on the spot, allowing the customer to leave the premises with a copy of the policy in their hand.

As yet this facility is offered for only a small minority of mortgage endowment policies. Finally, the Exchange wants to enhance the videotex service, allowing customers to obtain more information about their policies and help solve possible problems.

- To generate greater coherence in the highly fragmented market for software and communications packages, not by buying into the market but by investing in a facility which would provide an interface between all the systems in use. This is described by Lindsey as an "electronic hub or clearing house". Once established it would allow intermediaries and life insurers connected to it to trade electronically, conducting transactions across the system in real time. A contract worth several million pounds has been put out to tender and a number of computer companies is expected to compete for the work.

Lindsey says the hub will be similar to one already developed in Belgium by the Assurnet group.

- To developing a training programme among IFAs and – to some extent – with tied agents. Munro says many intermediaries were put off by early difficulties they experienced with new technology. Some were just frightened of it while others did not "see the point of spending £20,000 to £30,000 in setting up systems. In the good times of the late 1980s when their income was growing steadily they just didn't perceive that they were losing administrative efficiency," he says.

In the harsher climate of the 1990s many now realise the need but require help and advice. The Exchange will send out teams to advise IFAs what to do and how to do it. "We have had to find means of holding the intermediary's hand step by step," adds Munro.

In a conservative industry Lindsey also emphasises the importance of the cultural factor. "The speed at which we educate is the biggest factor that will strengthen the development of electronic trading in the UK," he says.

Aerospace comes to Sony's defence

By Alan Cane

Sony Corporation is increasingly using manufacturing techniques derived from the aerospace and defence industries in the search to create smaller, lighter and more attractive consumer products.

But, as one of Sony's top executives explained in the UK last week, human factors are more important than technological prowess in achieving efficient manufacture.

Factories which look beautiful with robots in position and computerised offices have little to do with production efficiency according to Nobuo Kanoi, deputy president of Sony Corporation.

Quality, delivery and cost ("better, faster, cheaper") were Sony's watchwords in its approach to factory automation, he said.

He was in London to receive, on behalf of Sony chairman Akio Morita, the Institution of Manufacturing Engineers' International Award Gold Medal and to deliver the first International Manufacturing Lecture at the Institution of Electrical Engineers.

Kanoi said the most difficult issue in production control today was the globalisation of factory locations. Some 35 per cent of Sony's production now takes place outside Japan. He said the forces driving this trend included the move to site factories in less developed countries where labour was abundant and cheap, and the need to produce products close to the markets in which they are sold: "This need has grown out of a number of factors including fluctuations in market demand, increasing logistics costs and risks due to unstable currency exchange rates."

He went on: "Against this backdrop of internationalisation, the communication gap between people of different nations, different lifestyles and ways of thinking has become the key issue."

To achieve a satisfactory level of production quality in overseas factories, it was essential to tackle problems of language, value and training: "Unless these three elements are handled professionally, significant improvement cannot be expected," Kanoi concluded.

(Speaking privately, Kanoi confirmed that a further obstacle to the establishment of manufacturing operations outside Japan was the difficulty of obtaining electronic components of adequate quality.)

Kanoi said a modern factory must meet three criteria: safety, both for its workers and for the consumers using its products, high production efficiency and what he described as an "autonomous nerve" control system – where automatic stop devices halt the entire line when a problem is encountered, thus preventing the continued production of defective parts. The technique of self-checking automated equipment was pioneered by the Japanese motor manufacturer Toyota, Kanoi said, where it was known as "automatisation".

Installing computers and robots was not a simple answer, however: "Under the true meaning of modernisation, the first step is to make an improvement by reducing the amount of paperwork. Then 'faster' and 'cheaper' can be realised through computerisation," he says.

While Kanoi accepted that added "quality" in manufactured products was difficult to measure when justifying the cost of new automated manufacturing systems, he said it was easy to see the advantages in low rates of defective products. Sony, he believed, was significantly better than its competitors in this respect.

The advanced concepts the company has already taken from the aerospace and computer business include multi-layered boards and surface-mount technology. In the latest Sony camcorders, for example, printed circuit bear components too small to be put in place by the human hand. Automated assembly is needed.

The complexity of final assembly operations remains an obstacle to complete automation, however. The early stages of Sony's assembly operations – insertion of components on circuit boards and so on – are now between 85 and 95 per cent automated. Final assembly, however, is only about 15 or 25 per cent automated, giving an average automation level for the whole process of between 55 per cent and 65 per cent.

BUSINESS LAW

Civil remedies for insider dealing

By Graham Huntley and Daniel Mace

The issue of whether civil remedies should be available for insider dealing has involved much debate about whether damages would prove more of a deterrent than criminal sanctions.

The main objection to a civil remedy is that insider dealing is said to be a "victimless" crime and that it offends a sense of fair play to compensate a so-called victim who got exactly what he bargained for.

In May, however, in a case involving Chase Manhattan Bank, the High Court leap-frogged those considerations and held that, in appropriate cases, a remedy was available.

At the trial, the court was prepared (on clear evidence) to find that an insider had committed an offence, when dealing in shares in a company of which he was a director, even though the criminal trial had not taken place.

The court then allowed the victim of the insider dealing, Chase, to rescind a share purchase agreement with the insider so that it was not obliged to pay for shares which, after publication of the inside information, were worth a fraction of the agreed price.

Prior to the case, it was believed that the Company Securities (Insider Dealing) Act 1985 was a bar to civil remedies. This view arose from the wording of section 8(3) which provides: "No transaction is void or voidable by reason only that it was entered into in contravention of [the Act]".

Doubtless, the intention behind those words was to prevent rescission and, thus, complex unwinding of transactions following the discovery and proof of insider dealing.

However, as the facts of the Chase case illustrate, provided a victim acts quickly, it may be possible to unwind a transaction without disrupting the Stock Exchange.

The market-making arm of Chase Manhattan Bank agreed to buy the shares from a broker, acting as agent for a nominee company (with the legal title) and the insider (with the beneficial interest), and agreed to sell the shares to sub-purchasers through the broking arm of the Bank.

Before the transaction was completed and the new legal owners registered, Chase discovered that the insider was the seller of the shares and that there was, therefore, a false market in the shares. Chase acted swiftly to issue a writ and preserve the *status quo* prior to trial.

For the court to have held Chase to its bargain would have involved it turning a blind eye to the public policy principle that criminals should not profit from their criminal conduct. Against this, the court was faced with the statutory language of section 8(3). It took the view that it could not have been parliament's intention to make a general rule that a victim had to treat the transaction as binding.

The case seems to say that the purpose of section 8(3) is to require the bargain to be completed unless the victim can point to something more than the fact of insider dealing to support the claim for a remedy.

This raises a fundamental and unanswered question – what other fact or facts must exist before a victim is allowed under the Act to wash his hands of the transaction?

The judge in the Chase case appeared to be reluctant to answer the question exhaustively, perhaps having appreciated its significance for dealers. However, in allowing Chase to treat its agreement with the insider as unenforceable, he took into account:

- that the share transactions had not, in fact, been completed in accordance with the Stock Exchange machinery;
- that the parties with an interest in the shares (particularly the legal owners) were represented in court and, save for the insider, submitted to its ruling.

The court was therefore able to unwind the transaction without incurring the problems which would have been faced if legal title in the shares had passed, and they had been dissipated in the market. The parliamentary intention behind section 8(3) must have been to avoid such problems.

Therefore, non-completion will almost certainly be an essential pre-requisite for relief for a victim. The lesson is that, if there is time for a victim to prevent completion of the transaction, he must act quickly.

What is much less clear is whether the courts will require all interested parties to co-operate and be represented in court before granting relief. For example, should all the parties first confirm that they submit to the court's ruling on the issue of the status of the agreement with the insider (as in the Chase case)?

If willingness to submit in this way is not the issue, because an unwilling party can always be joined by a willing band of plaintiff victims, will the courts be prepared to declare a share transaction void with the effect that a long chain of sub-purchasers will not be able to require their sellers to deliver securities in a company at a series of agreed prices? If the Chase decision is upheld, logic would require the courts to be prepared to take such a step.

Even in such cases where rescission is granted, sub-purchasers who suffer loss, perhaps as an indirect consequence of not receiving the securities which they had bargained for, may nevertheless think they should be entitled to recover damages from the insider.

Certainly, many such brokers and market makers in the City would be surprised to know that agreed purchases may not be settled because they are tainted with insider dealing which they had no reason to suspect.

They would be equally surprised to be advised that the fact that they were too far removed from the insider to have any reason for suspicion will probably also mean that they cannot recover damages from the insider.

The issue is whether the insider (or "tippee") owed the victim a duty of care. This will be easier to establish in cases where the insider has informed his victim of facts designed to avoid suspicion of the offence. It will be more difficult in the common scenario where the insider says nothing.

In those cases, the victim must argue that the insider owed to him a positive duty to disclose the inside information at the time of the trade. There is little legal basis for such a duty being owed to innocent victims who are mere sub-purchasers of the insider's securities and who never came into contact with the original seller.

In any event, the law is hesitant to impose such positive duties. In the Chase case the judge would probably have found that the Bank's *broking* arm was owed such a duty by the insider for exceptional reasons; namely, that the broker, not knowing the identity of the seller of the company's shares, had made enquiries of the company, and had reasonably assumed that none of its directors was involved.

In so doing, the Bank had relied on their obligations as directors, under the Stock Exchange Model Code, to report to the chairman or other relevant director prospective dealings by them in its shares (where dealing is permitted).

However, such a duty would not have been owed to the *market-making* arm of the Bank, which had not made any enquiries of the company and was a distinct legal entity from the broking arm.

It is nevertheless arguable that, as a matter of general law, a market-maker or other dealer dealing with an insider is owed a positive duty by the insider to disclose all facts material to the transaction.

Such arguments face two objections in particular. First, market-makers tend to be reluctant to go long or short on large quantities of stock. It may, therefore, be said that there is an absence of foreseeable loss in respect of which the duty can be owed.

Second, it is often said that dealers trade on the basis of their own evaluation of risks and are not induced to do so by the insider's position or actions in any event.

Both these objections may have common applications but ignore the more complex circumstances in which Stock Exchange dealings often take place. They should not be regarded as fundamental in determining any general rules about the existence of a duty of care owed to dealers.

Innocent victims in such cases will probably look in vain to parliament to introduce statutory remedies. The DTI's Consultative Document on proposed changes to the Act, to comply with the EC Directive on Insider Dealing by June next year, does not favour civil remedies and does not take up the US approach of a statutory scheme.

Although we have still to see what changes to the UK Act are proposed, to ensure compliance with the Directive, it seems that victims seeking remedies will have to look to the courts, not to parliament.

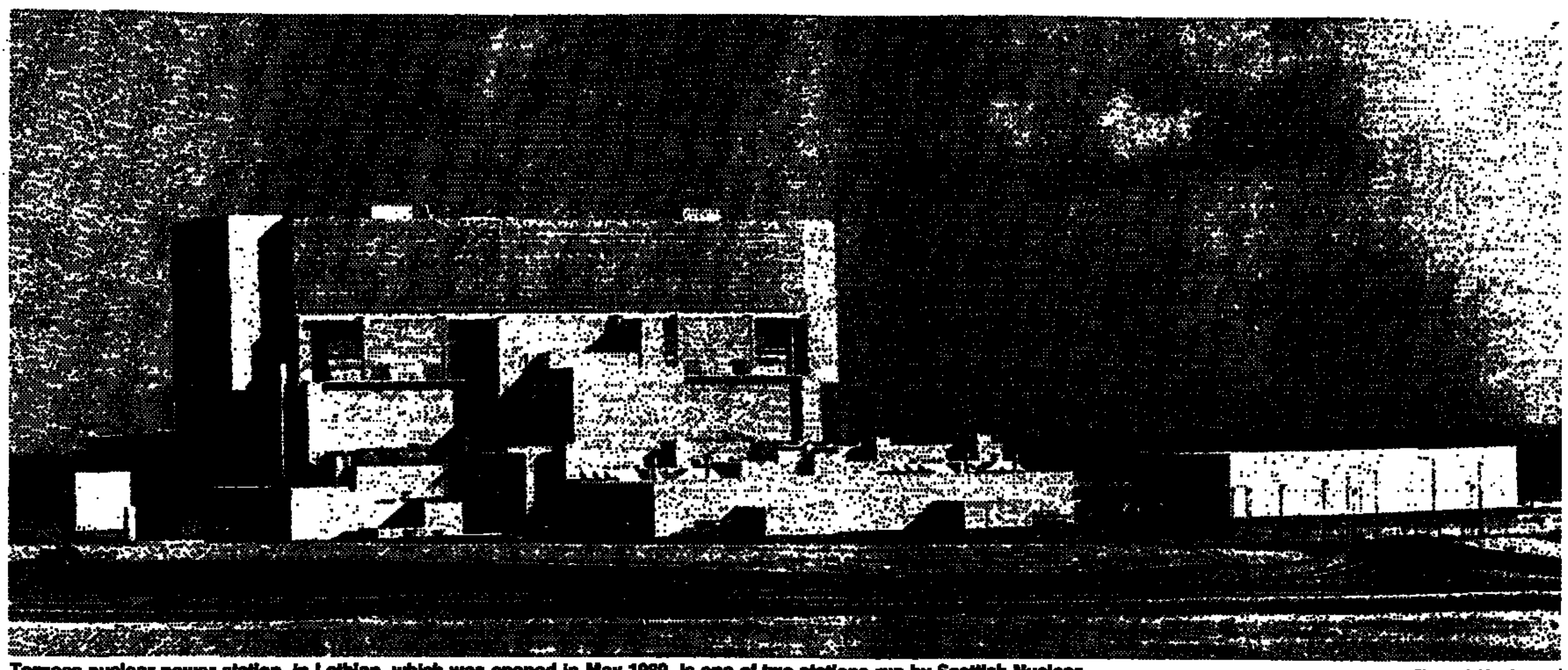
Mr Huntley is a solicitor and Mr Mace a partner with Lovell White Durrant.

WORLD NUCLEAR INDUSTRIES

Thursday November 21 1991

"It is forecast that the world demand for energy will treble in the coming century, and it seems inescapable that greater use will have to be made of nuclear power in order to supply this requirement"
— John Gittus, director-general, British Nuclear Forum.

"In spite of the threat of climate change ... the likelihood of a sustained global expansion of nuclear power without significant policy shifts is minimal"
— Simon Roberts, national energy campaigner, Friends of the Earth.



Torness nuclear power station, in Lothian, which was opened in May 1989, is one of two stations run by Scottish Nuclear. Picture: Ashley Ashwood

A green light and a star in the east

The number of plants under construction has fallen, because of high costs and public anxiety over safety, says Juliet Sychrava. But as concern over global warming grows, nuclear power may be the only way to meet demand without increasing carbon dioxide emissions.

THESE STATEMENTS, both made at a recent conference in London on the future of nuclear power, illustrate the widening gap between the industry and its critics.

History has so far proved the world nuclear industry over-optimistic. In 1972 the Nuclear Energy Agency (NEA) – the nuclear information body of the Organisation for Economic Co-operation and Development – forecast over 1,000 gigawatts of nuclear capacity in the OECD by 1990, compared with actual capacity in 1990 of roughly 260GW. By 1980, the forecast had shrunk to under 400GW; and today's forecast for the year 2000 is less than 300GW.

In the UK, the Central Electricity Generating Board said in 1973 that it would have to build 32 nuclear plants between 1980 and 1990. It ended up building only one after 1980 – Sizewell B, which is due in 1994.

World nuclear capacity is still growing (by nearly 3 per cent in the OECD last year), but NEA figures show that, even in the last five years, the number of nuclear plants in construction has fallen sharply. In 1987, 40 units were being built in OECD countries and 10 were planned. Currently, 23 are being built and only three new units are firmly committed.

The industry and its critics agree that this is due mainly to two factors: growing public concern over nuclear safety, and the high cost and long lead times of building nuclear plant. The US stopped ordering nuclear stations in the mid-1970s, and by 1984 few orders were being placed in the rest of the world, according to figures compiled by the magazine Nuclear Engineering International in 1985.

There are now more than 400 nuclear power stations in 24 countries, meeting around 5 per cent of the world's energy demand and around 17 per cent of its electricity demand, the International Atomic Energy Authority (IAEA) calculates. Another 80-odd are under construction, says the IAEA, though how many of these will be completed is uncertain.

Here again, the views of the industry and of its critics differ. Steve Thomas, of Sussex University's Science Policy Research Unit (SPRU), calculates that only 46 units are under construction or firmly ordered worldwide.

"I am considering as serious only those plants that have firm export contracts that it would be financially very difficult to break," he says. "I consider plants under construction when cement is actually being poured into a hole."

Nuclear Engineering International's figures, based on questionnaires sent to utilities, are higher: 71 units under construction and 58 planned. But, the magazine acknowledges, many planned plants will never come to fruition, while a number under construction are virtually abandoned, notably the 15 being built in the Soviet Union.

■ In western Europe, according to the SPRU databases, only France has firm plans for new stations. Finland has invited bids for one, but has not made a decision to go ahead. Austria, Germany, Italy, the Netherlands, Spain, Sweden and Switzerland all have moratoriums on nuclear power, although Sweden is reconsidering its decision to close existing stations. The UK is awaiting a government review of the industry in 1994.

■ In eastern Europe, most countries are experiencing problems completing nuclear programmes – either for political or economic reasons – and exact data, particularly on the Soviet Union, is hard to come by.

Poland abandoned work on a plant scheduled to start construction in 1989, and in September 1990 called a moratorium on nuclear power. Czechoslovakia originally planned four units at Mochovce and four at Temelin. However, two Temelin units have been cancelled, and it is uncertain whether the other two will be completed, given the country's economic position.

Hungary has four units at its Paks site, of the eight originally planned. No decision to order new plant has been taken, though extending Paks is a possibility, and the country has invited bids for new plant. Bulgaria has halted plans for a new station, because of public concern, and has not decided how to meet its future energy demand. Romania began work on five Canadian plants ordered in 1979, but only two are so far under construction at the Cernavoda site.

■ The US has not ordered and completed any nuclear plant since 1974. The industry has come up with a plan stating the conditions under which new plants could be built, but there has been little progress in overcoming regulatory obstacles to licensing new plants.

■ In the Far East, the only region where nuclear power can genuinely be said to be expanding is the Pacific Rim. Japan is still committed to nuclear expansion, despite growing public opposition, and has ordered ten new plants.

More recently, Korea has begun to move in the same direction, and has ordered five plants; and Taiwan has indicated that it may follow suit with two units.

Indonesia has said it will start a nuclear programme, but there are few signs that the country will begin to build before the end of the century, as it is waiting for a feasibility study from Japan.

China has three reactors on order, and has talked of more.

■ In the Near East, India and Pakistan have expansionist nuclear plans. India has ordered six reactors from Canada, and has an agreement, though not a firm order, with the Soviet Union for two more. Pakistan has talked about 1,500 megawatts of capacity, but has neither firm plans nor any obvious means of funding them.

Nuclear's brightest future may well be in the east, where energy consumption is rising and oil and gas are not always freely accessible. But the industry hopes for a new dawn in the west, as electricity consumption continues to grow at between 2 and 3 per cent a year.

"The big question facing the industry is: what is the demand going to be?" says David Kyd, of the IAEA. "Countries like France and Germany have more power than they need. But as the appetite for electricity grows, a long-term solution is needed."

As concern over global warming intensifies, the industry suggests that nuclear will be the only way to meet demand without increasing carbon dioxide (Co_2) emissions.

"The environmental issue may be the way nuclear saves itself from financial doom," says Gordon MacKerron, at SPRU, "but many countries – the US, for instance – are still not convinced by the global warming argument."

In the UK, environmentalists reject the industry's case. Building more nuclear stations, they argue, is one of the most expensive ways of cutting CO_2; energy-efficiency measures and renewable energy offer a much cheaper alternative.

The industry replies that these would involve a significant policy shift by the government. It also argues that renewables do not have much potential: the International Energy Agency estimates that, even by 2025, they will not represent more than between 3 and 5 per cent of demand. And renewables are not suitable for meeting baseload electricity demand – or for matching supply with industrial demand.

However, the government's recent statement that renewables could meet 20 per cent of electricity demand by the year 2025 must make the country's nuclear industry pause for thought.

And while nuclear may be environmentally welcome in one respect, it still has to face a number of environmental and safety challenges. When it comes to the effects of radiation, there is no more agreement between the industry and its critics than on future capacity. Environmental lobby groups such as Greenpeace argue that radiation kills, while the industry says there is no firm evidence linking either natural or man-made radiation to cancer or leukaemia.

Nuclear waste is perhaps the most vexing issue facing the industry. Critics see no long-term solution, and reject industry arguments that the deep underground stores will make the waste safe for ever.

In the short term, most countries are storing waste on site. The only two commercial reprocessing plants are now in France and the UK, since Germany shut down its plant; and in the UK, Scottish Nuclear is attempting to move away from reprocessing towards on-site storage. Japan, however, may still build its own reprocessing plant.

But perhaps the strongest argument against nuclear is the cost. In most countries, the industry relies on substantial government support, and planned plants frequently overrun on time and cost. Even the industry finds it hard to argue that nuclear will become cheaper. As safety and operating standards improve, the technology has become more, rather than less, expensive.

WORLD NUCLEAR INDUSTRIES 2

The UK: can Nuclear Electric compete?

A clean new leaf

AS THE nuclear industry in the UK faces a government review, only an optimist would say its outlook was bright.

Its worst blow came in November 1989, when the government cancelled plans to privatise its nuclear assets. Costs, especially relating to decommissioning (or dismantling) nuclear stations, reprocessing nuclear waste, and building stations, had been significantly underestimated by the government, it emerged.

No more nuclear stations would be built, the government decided, until after a review of the industry's economics had been held in 1994.

Since then, the government's position on nuclear has been obscure. John Wakeham, the energy secretary, has occasionally voiced his support for nuclear – but he has also said that nuclear costs must be kept under control. And that, for the nuclear industry, is the rub. It is expected that, while safety and environmental issues will play their part in the 1994 review, it will be the cost of nuclear. that really counts.

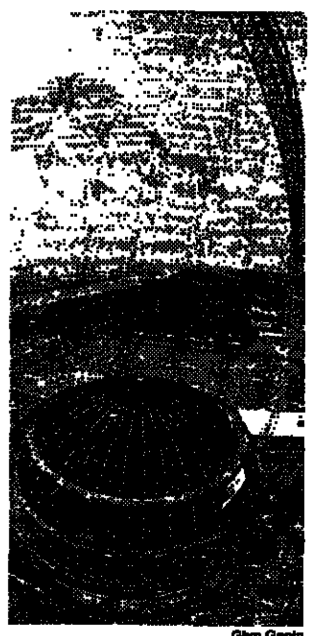
The question, however, is not whether Nuclear Electric can compete in the free market now. At the moment, the nuclear industry is subsidised – to the level of £1.25bn a year – through a levy on the electricity price. What the industry hopes to prove is that nuclear power will be competitive with other fuels in the future.

Calculating nuclear power's cost per unit, however, is far from simple, mainly because the UK stations were built over decades to different designs, making the cost of capital hard to assess. And because the industry is in the public sector, there is debate about the cost of capital that should be used in the calculation – the industry traditionally used 5 per cent, compared with 8 per cent in the private sector.

Dividing Nuclear Electric's total output by its total costs gives a unit cost of 4.2p per kilowatt hour (compared with between 3.2 and 3.4p for coal), the company says. But, it argues, the past costs of power stations should not be the basis for deciding whether power from new stations would be economic.

The company's new station, Sizewell B, it estimates, will produce power at between 3.6p and 4.4p per unit. Its second generation of pressurised water reactors, if it is allowed to build them, would take costs down to 3.5p per unit by 2005, the company believes.

This is a matter of debate, because sceptics do not believe



Glyn Genin

Sizewell B: power at 3.6p to 4.4p a unit is predicted

the industry will contain capital costs as it claims. Sizewell B, at today's estimates, will cost £2,150 per kWh to build. Hinkley C, the next station, would cost only £1,810 per kWh, according to Nuclear Electric.

But Gordon MacKerron, of Sussex University's science policy research unit, notes that the industry has a poor record on forecasting costs. The cost of building Sizewell B had overrun by up to 58 per cent, compared with original 1982 estimates.

To achieve a unit cost of 3.5p, Mr MacKerron estimates, capital costs would have to fall 35-36 per cent, to £1,400 per kWh.

Experience in France, Mr MacKerron points out, shows that although the cost of building the second or third plant of one design did fall, the cost of new designs kept rising.

"It is true to say that the costs of nuclear have not come down as anticipated," says Sam Goddard, at Nuclear Electric. "But we have learnt that we have to improve safety and use new technology. That will always be expensive. But what you will get is high quality, reliability, and safety – and that is never cheap."

Estimates of long-term provisions for decommissioning, and spent-fuel management, always elusive, have also risen as theories about decommissioning methods have changed. The Energy Committee's February 1990 report on the cost of nuclear power notes that these provisions were calculated at £3.2bn at the end of March 1988, but rose to £10bn by the end of March 1990.

However, the industry is confident that it has turned over a new leaf since the days of the Central Electricity Generating Board, and should not be judged by its predecessor's record.

John Collier, Nuclear Electric's chairman, believes that Mr Wakeham's decision to cancel privatisation "galvanised" the industry: "Both Nuclear Electric and Scottish Electric are starting to perform."

Nuclear Electric increased its productivity by 6 per cent in the year to March 1991, and its turnover by 8 per cent. Operating profits rose by 44 per cent. Scottish Nuclear reduced its loss from £189.9m to £32.5m.

Although the imminent review has concentrated the industry's mind, it has a long way to go to convince its critics that it will compete on price in the next century.

However, there are other important arguments put forward for continuing to invest in nuclear power. Until recently, the most frequently cited was "security of supply". This argument is still used today. Oil and gas prices are volatile, their reserves may run out, and it makes sense to diversify into nuclear. There is, as John Gittus, director-general of the British Nuclear Forum, recently told a nuclear conference, no alternative.

This is not the view of the environmental lobby, which advocates both energy conservation and renewable energy such as wind and wave power. Though renewable energy has traditionally presented little challenge to nuclear, it was recently given an important boost by Colin Moynihan, minister for renewables, when he said he now anticipated it could supply 20 per cent of electricity demand by 2025.

A stronger argument in favour of the UK industry is the need to stop producing carbon dioxide – and it is to this mast that the industry has recently pinned its most hopeful flag. Nuclear power is clean, in that respect at least. But the problems of waste disposal are still a big public issue, as well as an economic one.

Perhaps the most difficult obstacle for the industry to handle, however, is the government's commitment to a free market in energy. How would a new nuclear industry fit into that market, without distorting decisions to build new plant?

Juliet Sychrava

Europe: FT writers review progress, problems and policies

France's giant looks abroad

■ From William Dawkins in Paris

EUROPE'S LARGEST producer of nuclear power, Electricité de France (EDF), hopes to build further on its position as a big international supplier.

The state-controlled monopoly is close to the ceiling of its market in France, the world's most nuclear-dependent country, which draws between 75 per cent and 80 per cent of its electricity from EDF's 57 reactors, depending on the season. French electricity consumption has climbed only fractionally over the past four years, varying between 327bn kilowatt-hours in 1987 and 349bnkWh last year.

Indeed, France's own nuclear experts believe the country has more nuclear energy than it needs, a legacy of an over-ambitious investment drive in the 1980s as the country turned to an industrially high-profile nuclear programme to reduce its old dependence on oil imports.

EDF believes France's nuclear surplus should be naturally absorbed by the middle of the decade, assuming a pick-up in the economy. Accordingly, officials say it does not plan to increase its proportional dependence on nuclear power, though the utility has ordered a new reactor this year and is planning another in 1992 or early 1993, to keep output in line with demand.

EDF is looking abroad not least because it needs a larger and more stable customer base to support its investments, pro

Ashley Ashwood

Bugey nuclear power station

vide the revenues needed to run down the massive debts, FFr226.1bn ($40.5bn) at the end of last year, built up during its nuclear expansion. EDF also has to face the cash demands of a government struggling to keep its budget deficit under control.

So it is that EDF's exports rose by 8.5 per cent last year, faster than the 6.4 per cent rise of overall production, to account for 12 per cent of the total. Switzerland was the largest customer, taking 13.6bnkWh out of the 46bnkWh total exported, followed by Italy with 12.9bnkWh and Britain with 11.9bnkWh, supplied through a cross-channel cable.

Beyond increasing exports, EDF is working hard to push its services as a supplier of engineering consultancy, design and construction to the creaking nuclear energy authorities of eastern Europe.

The most recent example is an accord signed last August between the Bulgarian energy authority, and EDF, Groupe Foncier Anjou, an investment company with energy interests plus Générale des Eaux, the French water and civil engineering group. The French partners are to advise Bulgaria on modernising its ageing nuclear plants, on environmental protection and staff training.

The first project, says EDF, will be the Kozlodoui power station, supplier of 40 per cent of Bulgaria's electricity, which was criticised for being dangerously run down in a recent report by the International Atomic Energy Agency.

Over the past two years, EDF has also delivered a computerised reactor monitoring system to the Soviet Union and opened negotiations for a joint venture to build reactors in Hungary and Czechoslovakia. It is also bidding for a substantial stake in the supply of power to eastern Germany.

At home, the focus of EDF's search for a more stable customer base is on the innovative deals it has struck with big industrial power users such as Pechiney, the aluminium and packaging concern, where the electricity utility two years ago took a stake in a new aluminium smelter in return for providing power a preferential rates. It struck a similar deal late last year with Exxon Chemicals, the US chemical producer, when EDF has invested in a new plant as part of a cheap power deal.

A role in the all-Germany policy

■ From Christopher Parkes in Bonn

THE DEBATE over the future of west Germany's richly-subsidised coal industry is temporarily suspended. Output of coal is to be reduced.

Jürgen Möllemann, economics minister, will shortly present the government with a new programme for an all-German energy policy. It will focus primarily on constraints imposed by the coalition's aim of reducing carbon dioxide emissions by 25-30 per cent by 2005, and the dilapidated condition of the east German power industry.

Nuclear power will figure prominently in the debate. Mr Möllemann set out his stall cautiously in a sketchy preview published in October. Nuclear capacity, he said, would play a substantial role in electricity generation "as long as comparably secure, environmentally-friendly and cheap sources remain unavailable".

Participants in the debate include many political, environmental and philosophical factions. The Bonn coalition is broadly pro-nuclear. It takes its lead from chancellor Helmut Kohl, who said earlier this year that an efficient energy policy was "unthinkable without a substantial role for nuclear". However, the predominantly social democrat governments of the states which comprise Germany are generally against. Although broad consensus between federal and state governments on the conditions to be applied to development of nuclear power was first reached in 1979, it has failed to underpin the stable development of nuclear industry.

Construction has stopped. A DM7bn ($4.3bn) fast-breeder reactor at Kalkar, on the lower Rhine, was abandoned earlier this year, 18 years after construction started, because the state government refused to issue operating licences. A new plant built by the RWE group at Kärlich-Mülheim lies idle following legal action by activists, and progress on a Siemens fuel-rod works in Hanau has been stalled for months following the replacement of the conservative CDU/CSU coalition state government by a mix of SPD and Greens.

Even so, Germany is a substantial producer and generator of nuclear power, and the economics, finance and energy ministries have put considerable resources behind efforts to ensure that development continues so that possibilities are kept open for future expansion, and also that major suppliers such as the Siemens subsidiary KWU are not shut out of international markets. Despite persistent outcry and protest, nuclear plant already supplies between 35 per cent and 40 per cent of west German electricity, compared with a 25 per cent average throughout the OECD.

Although the industry's share of the national energy research and development budget has been falling over the past 10 years, it still accounts for around 60 per cent of the total.

Some in the German power industry, encouraged by the switch of environmentalists' attention to CO_2 emissions and the greenhouse effect, and by encouraging noises from Bonn, believe the time is ripe to expand nuclear capacity. Klaus Piltz, head o the VEBA energy group believes the isue will be thought out again "in the light of the greenhouse effect". According to the latest data, east Germany is the largest per capita producer of CO_2 in the world, and the west comes just behind Britain in the rankings.

However, proponents such as Mr Piltz and Eberhard Gieske, charman of RWE, are still reluctant to press too hard without an unequivocal lead from the government. Speaking in Essen in October, Mr Eberhard showed impatience at Bonn's sluggish preparation of an energy policy, and shrugged off the contents of Mr Möllemann's preliminary effort.

Persuading the innumerable factions in Germany – on the doorstep of Chernobyl – that it can play its part safely has so far proved impossible. But in spite of the political and administative complexities, nuclear power has come from nowhere in the 1960s to provide around 13 per cent of primary energy requirements.

Swedes seek Finnish order

■ From John Burton *in Stockholm*

ABB ATOM of Sweden, which has built 11 of the 16 nuclear reactors in the Nordic region, hopes to get its first order for a new reactor in 15 years with the construction of Finland's fifth nuclear power station.

If the Finnish parliament approves the FM10bn ($2.5bn) project next spring, Finland will become the first western country after France to order a new reactor since 1984.

Plans for a new Finnish reactor were originally proposed in the mid-1980s, but the Chernobyl accident derailed the project as political opposition to nuclear power mounted.

The election of a new centre-right Finnish government in March has prompted a re-examination of the issue, with predictions that the country will need new sources of electricity after 1994.

Finland's electricity use is expected to double between 1980 and 2000, and the only alternatives to nuclear power would be to import electricity from Sweden and Norway or to construct coal-fired plants.

The new reactor would be owned by Perusvoime, a joint venture created by the state power company IVO, which operates two Soviet-built pressurised water reactors (PWRs), and the private power company TVO, which owns the two boiling-water reactors (BWRs) constructed by ABB Atom at the end of the 1970s.

Competition for the order has been heavy, with four final bids submitted last month. Both ABB Atom and Siemens are offering BWR units; while the Siemens/Framatome joint venture, Nuclear Power International, and the Soviet group Atom-energoexport want to build PWR units. All of the proposed reactors would have a capacity of about 1,000MW.

"We think we have a better than 50 per cent chance of getting the order," said Jan Runermark, president of ABB Atom, which is part of the Swiss-Swedish group Asea Brown Boveri.

One handicap that ABB Atom may face, however, is that it has not built a reactor since 1985 following the completion of the Forsmark 3 unit in Sweden. ABB Atom constructed Sweden's nine BWR units, while Westinghouse provided three PWR units.

The absence of reactor orders contributed to a sharp fall in sales and profits for ABB Atom after 1986, although results have since stabilised with turnover of SKr1bn ($168m) in 1990 and operating earnings of SKr105m.

Nevertheless, the company is continuing to develop new reactors. In addition to designing the BWR 90, an upgraded version of the reactors it supplied earlier, it has conducted research on a new reactor called Pius (process inherent ultimate safety).

Pius involves a new safety system that allows the reactor to shut itself down if an accident occurs, and to cool automatically within its prestressed concrete vessel. "Pius is still a concept and we have no market for it," says Mr Runermark. The project has also been hampered by a lack of funding, but new financial support was gained last December when ABB Atom formed a consortium with Ansaldo and Fiat in Italy to develop the reactor.

Mr Runermark remains optimistic about future nuclear reactor orders. "We are at the beginning of a new dawn in the industry," he says.

The legacy of Chernobyl

Suspect units look safer

THE WESTERN nuclear industry has alternate nightmares and dreams about the Soviet Union and its former satellite countries in eastern Europe.

The nightmare is of "another Chernobyl" – a nuclear disaster that would make put an end to the industry's hopes for a revival during the 1990s.

The dream is of orders for new plants from a region that is starved of energy and heavily dependent on dirty coal-burning power stations.

Chernobyl itself remains under a cloud. The Ukrainian parliament voted last month to close down the whole plant in 1993 – two years ahead of schedule – after a fire in a non-nuclear area. Although no radiation was released, the incident heightened public fears about Chernobyl and its management.

Sixteen Chernobyl-type reactors (RBMK graphite-moderated) are operating in the Soviet Union. Extensive modifications were carried out after the 1986 disaster, which have satisfied some of the western concerns about their safety.

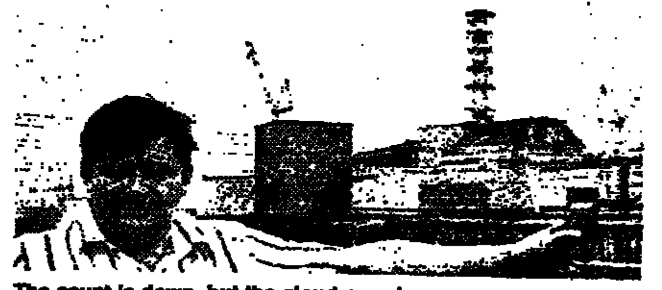
"While the basic design of these reactors would not be safe enough to meet the high UK standards, there is no evidence that the design cannot be safely operated in a routine manner," said AEA Technology in a note circulated after last month's Chernobyl fire.

The Soviet Union did not export RMBK reactors. The ones supplied to eastern Europe were the V230 and V213 models of VVER-440 pressurised water reactors (PWRs).

The V230 is the older design. It has only an emergency core cooling system to provide water in case a pipe breaks. And it has no containment building to prevent release of radioactive materials in a serious accident. The more modern V213 has some containment and emergency water injection systems.

The strength of the Soviet PWRs, according to AEA Technology, is that they have a large volume of water in their heat exchangers and large cores. They take longer to overheat in an accident than their western counterparts.

Potentially the most dangerous reactors in eastern Europe, by general consent, are the four V230s at Kozloduy in Bulgaria. They have been poorly maintained and operator morale is low. But they cannot be closed, because they produce almost 40 per cent of Bulgaria's electricity. The short-term compromise is to shut down the oldest pair of reactors for maintenance as soon as possible and then carry out a safety overhaul of the whole site, with western technical assistance.



The count is down, but the cloud remains

Czechoslovakia and Hungary have Soviet-designed PWRs that are in much better condition than Kozloduy. The four V213 reactors at Paks in Hungary are operating remarkably well. Both countries are considering whether to supplement their nuclear capacity by buying western-designed PWRs – some of the output of which would be sold back to west European utilities.

Romania is to receive a C$315m loan from Canada to complete its first nuclear power station, a Candu reactor at Cernovada. Its construction had been suspended because of lack of equipment during the last years of the Ceausescu regime.

Clive Cookson

The US: lobbyists gather strength

Back in favour

AFTER A decade which saw Chernobyl and the less dramatic Three Mile Island accident, nuclear energy in the US is slowly gaining political acceptance, as the nation seeks viable alternatives to fossil fuels.

Its rehabilitation is partly a by-product of the Gulf war, which highlighted the hazards of relying on the unstable Middle East for oil. But the industry is also benefiting from the growing strength of the environmental lobby. As air pollution, global warming and the the ozone layer preoccupy the American public, nuclear energy is staring to look more acceptable.

According to a recent Gallup survey, 67 per cent of Americans believe nuclear energy should be used if it would curb greenhouse gas emissions and air pollution.

A bill is currently before congress which would give statutory authority to the Nuclear Regulatory Commission's proposed one-step licensing rule. This would simplify the licensing process by allowing just one permit, instead of the current situation where one permit is needed to build a plant and another is necessary to operate it. The move is designed to facilitate new plant construction and help nuclear energy compete.

It comes at a time when no new plants have been built in the US for nearly two decades. The US has more nuclear power stations than any other country – the 112 with operating licenses last year generated close to 21 per cent of the nation's electricity – but every new order for nuclear stations since the mid-1970s has been cancelled. The reasons include changing energy demands and soaring construction costs, though the legacy of fear after the near-meltdown of Three Mile Island has also been a factor.

Safety, both in terms of plant operation and waste disposal, remains the main impediment to the growth of the industry in the US. Fears that the Shoreham nuclear plant on Long Island could not be evacuated safely in the event of an accident prevented it operating. The New York state court of appeals recently voted to allow Long Island Lighting Company to continue dismantling the $5.5bn plant which was completed in 1984.

Progress in waste disposal has also been slow. Although the government has conducted extensive studies at a possible permanent disposal site in Nevada, the plan has met local opposition.

Meanwhile, steps are finally being taken to deal with waste generated in the manufacture of nuclear weapons. Legislation was enacted this month to allow the first test shipments of transuranic waste to New Mexico's waste isolation pilot project. If the public is satisfied that this waste can be safely handled, transported and shipped, it will help to ensure the growth of nuclear energy.

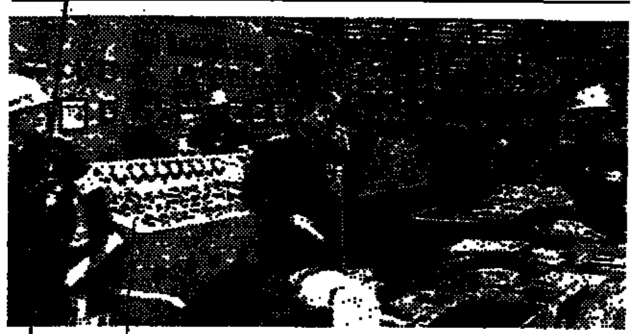
This year has also highlighted problems with ageing nuclear plants. The nation's oldest, Yankee Rowe in Massachusetts, was closed indefinitely last month amid concern that the pot which holds nuclear fuel had become brittle after 30 years of radiation.

Yankee Rowe, built in 1960, has also been at the centre of a dispute over the relicensing of older plants. It was has been operating on a 40-year licence, which is due to expire in 2,000, and was to have been one of the first plants to apply for renewal.

Yankee Rowe is expected to remain off-line until April, when it is scheduled to be refuelled, and when tests will be conducted on the fuel-holding vessel.

Although Yankee's vessel design differs from those at other operating nuclear plants, the problem of ageing is likely to occur elsewhere as time passes. Watchdog agencies are concerned about the corrosiveness of the steel used in pipes at some US nuclear power stations, such as Surrey in south-eastern Virginia. And observers are also worried about more mundane problems, such as the electrical wiring which, in some cases, dates from the 1960s.

Karen Zagor



Mihama control room: the accident was a turning point

As Japan plans more reactors...

Dissent grows

JAPAN'S ATOMIC Energy Commission and other government organisations say the nation must continue to construct two nuclear reactors a year at least until 2010.

But many people are sceptical. With more than three dozen reactors on the four major islands, the country already possesses an immense atomic energy infrastructure.

Because of growing demand for electricity, the ministry of international trade and industry (Miti) and the nine regional electrical utilities want to enlarge the power-generating capacity. Forty-one nuclear reactors, with overall capacity of 32 gigawatts, are commissioned; and Hideaki Tsuzuka, of the Science and Technology Agency's atomic energy bureau, says the government estimates that at least 40 more are needed by 2010.

Countering this advocacy is a growing anti-nuclear movement, which first gained prominence in the wake of the Chernobyl accident.

A turning point was the accident in February at Kansai Electric Power's Mihama-2 reactor in Fukui Prefecture. Mihama-2 was shut down when an emergency core-cooling system was activated. The problem was traced to faulty installation of components.

Anti-nuclear activists express concern about major earthquakes, the long-term safety of reactors and their shut-down mechanisms, and nuclear-waste handling and storage problems. They say Japan should focus more research on solar and other clean power sources, while increasing efforts to conserve energy. The government replies that the nuclear option is "clean", because it does not add to atmospheric warming.

Japan's latest white paper on atomic energy admits that the Mihama-2 accident caused anxiety among the people. It also acknowledges that nuclear power is "potentially dangerous", but goes on to guarantee the safety of Japan's nuclear plants.

Because Japan has no energy sources of its own (except some hydroelectric plants), Miti, as well as the Science and Technology Agency and its affiliates, is promoting the use of plutonium as a mixed fuel in some light-water reactors as well as experimental fast-breeder reactors. Plutonium is a toxic material that can also be used to make bombs; consequently, worries are proliferating about the ways in which Japan will transport, use, reprocess and store it.

The main challenges facing the government are: to find seaside sites for reactor construction; to continue its huge atomic energy R&D programme; and to reassure the people over safety.

Japan is starting to construct many advanced-pressurised water reactors (A-PWRs) and advanced-boiling water reactors (A-BWRs). Mitsubishi builds PWRs, while Toshiba and Hitachi construct BWRs. Tokyo Electric Power Company's initial pair of A-BRWs are the Kashiwazaki-Kariwa-6 and -7 reactors, both rated at 1,356 megawatts, to start operations *in August 1996 and July 1997*, respectively.

Due to modular design, experienced construction consortia and improvements in basic design, Japan's reactors are built quickly, in about five years. Main problems do not relate to construction, but to getting approval from rural townships to use seaside sites.

Approval involves negotiations over compensation to fishing unions; the amount of infrastructure, such as roads and community centres, to be built; and special taxes to be paid by the power utility.

It is becoming difficult to find appropriate sites for reactors, because people in rural areas are more intense in their questioning of government and corporate safety assurances.

One of the biggest problems is waste storage. Low-level and high-level radioactive waste materials will be placed in two storage centres, to be built by 1999 at the big nuclear fuel-cycle facilities at Rokkasho-mura, *in Aomori prefecture*. Moves are also under way to construct an underground storage centre for highly toxic atomic waste in Horonobe, central Hokkaido.

Neil Davis

The long goodbye

Life ends at 40 for most nuclear power stations, but closure may be a lengthy process. **Clive Cookson** discusses decommissioning, and in particular a proposed UK strategy

WHATEVER happens to the nuclear industry as a whole, one sector has a bright future – decommissioning.

Statistics presented to an international seminar on decommissioning, organised last month by the OECD's Nuclear Energy Agency (NEA) in Paris, show that 55 nuclear plants worldwide had already been shut down permanently by the end of 1990. Most are small reactors (less than 200 megawatts) built as experimental or demonstration projects.

At the same time, the world had 423 nuclear plants in operation, with an average age of 11 years. The number reaching the age of 40 – the point at which most will be ready for decommissioning – will start to rise rapidly after 2005 and reach a peak around 2015. Even so, the NEA expects more than 60 commercial plants to become candidates for decommissioning by the year 2000.

According to the NEA, the UK has a particularly large number of elderly reactors. The average age of UK plants is 20 years, and 16 of the world's 19 nuclear power stations which exceed the age of 25 are British Magnox plants; eight of these will be over 40 by 2000. And the UK's gas-cooled reactors are larger than their water-cooled counterparts overseas and therefore more expensive to decommission.

So decommissioning is a particularly important issue for Nuclear Electric, the main UK nuclear operator. In June, the state-owned company announced a new strategy for decommissioning, which it has submitted to the government for approval. (It cannot be adopted officially until it has been endorsed by the Department of Energy.)

Nuclear Electric estimates that the new strategy will bring down the eventual cost of decommissioning its eight Magnox and five AGR power stations from £2.9bn to £2.1bn (in 1991 pounds) by postponing the dismantling of its plants after they have closed down. The strategy has several stages.

■ 0-5 years after shut-down: Take all spent fuel out of the reactor. This removes more than 99 per cent of its radioactivity.

■ 5-6 years: Prepare the site for long-term surveillance by making the whole structure weather-proof and carrying out minor landscaping.

■ 6-35 years: Keep the site under surveillance.

■ 35-37 years: Cocoon the radioactive plant and buildings in a maintenance-free concrete "safestore".

■ 37-135 years: Second surveillance period.

■ About 135 years: Either dismantle the safestore and the reactor inside and clear the site, or carry out "in situ decommissioning" – in other words bury the whole structure inside a landscaped artificial hill.

Nuclear Electric's previous decommissioning strategy involved dismantling the whole plant outside the reactor's biological shield as soon as the fuel had been removed, and then sealing the reactor for a 90-year surveillance period before finally restoring the site to a green field. So the new strategy would defer both partial clearance and final clearance by at least 30 years.

The main advantage of the new strategy is that, by reducing Nuclear Electric's decommissioning liability, it makes the company's profit and loss accounts look healthier by about £50m a year. But it also brings radiological benefits, according to Fred Passant, waste and decommissioning manager, by avoiding the generation of significant volumes of radioactive waste through dismantling the plant. Instead, mostof the radioactivity decays on site. (The most important radio-isotope in a decommissioned reactor is cobalt-60, which has a half-life of 5.3 years, and has therefore virtually disappeared after 135 years.)

Many other European and US utilities are proposing decommissioning strategies which also include a 30- to 40-year care and maintenance period after defuelling. On water-cooled reactors this would be followed not by encasement in a safestore but by dismantling, using remote-controlled machinery – an operation that is relatively easy to carry out on a small modular-designed PWR.

Even if the delayed dismantling approach is adopted widely, however, there will be some plants for which prompt dismantling is appropriate. This may be the case for example in Japan where there is a shortage of space for further nuclear plants.

In any case, the nuclear industry is keen for the sake of its credibility to demonstrate that it can if necessary restore a nuclear site to a green field within a few years. There is extensive international collaboration on decommissioning, co-ordinated by the NEA and International Atomic Energy Agency.

In addition, the EC has a Ecu31.5m programme from 1989-93 to support research into new techniques for decommissioning. It is contributing to four pilot projects, including the dismantling of Britain's Windscale Advanced Gas-cooled Reactor which closed down in 1981 after 18 years operation as a prototype AGR.

The latter is a £60m project funded by AEA Technology; the reactor's top dome was removed earlier this yearand dismantling of the core is scheduled to start in 1993.The AGR will have beendismantled completely by 1996.

The EC programme also includes the Gundremmingen boiling water reactor (KRB-A) in Germany, the first power plant with a capacity of several hundred megawatts to be dismantled. Its decommissioning is scheduled for completion in 1999.

With more shut-down nuclear plants than anywhere else in the world – eight in the west of the country and five Soviet-designed reactors in the east – Germany faces a formidable decommissioning problem.

The German utilities, nuclear industry and government have not yet agreed how to finance the operation. Nor is there a political consensus on whether the German objective should be complete dismantling and restoration of a green field site as soon as possible, or the more limited and less expensive strategy advocated by Nuclear Electric in the UK.

MANAGEMENT: Marketing and Advertising

If the price is wrong

Last month Britain's big clothing stores marked down the prices of one-fifth of their clothes to entice customers to buy. October is not even a traditional sales month. The recession has sharpened competition in the clothing market and has put renewed emphasis on price as a means of winning custom.

Yet, Verdict Research, a retail consultancy which has just completed a study of clothing prices, suggests that most retailers have not pursued a consistent pricing policy and risk confusing if not irritating their shoppers.

Clothing retailers have made few attempts to collate or analyse comparative prices nor position themselves in the market accordingly. Instead, Verdict says they have followed an ad hoc pricing policy relying on their own instinct.

Even between menswear and womenswear at particular chains, Verdict has detected a difference in prices. Richard Hyman, author of the Verdict report, argues that such discrepancies can confuse the shopper. A difference in price position represents lost sales and lost profits," he suggests.

Yet one of the most striking findings to emerge from Verdict's study is the difference in trading philosophy between some of the big chains.

For example, Marks and Spencer, the UK's biggest clothing retailer, has adopted a radically different approach to pricing than Burton Group, the next biggest player – which might provide a clue to the two companies differing fortunes.

Verdict shows that in October M and S offered 240 different items of womenswear whereas Burton's four chains – Debenhams, Dorothy Perkins, Principles and Top Shop – had five times that number.

In October, M and S sold its raincoats at two different prices, whereas Debenhams alone had 12 different prices, and seven of them were reduced. A small product range enhances the economies of scale in ordering and distribution and simplifies stockholding and displaying goods.

John Thornhill

The crunch has come

Guy de Jonquières rejoices in the return of the English apple

After years on a restricted diet of Golden Delicious, Granny Smith and Cox's, British shoppers are rediscovering almost forgotten varieties of English apples. Marks and Spencer plans to stock 18 English varieties this autumn and winter, J. Sainsbury 38 and Safeway 45.

Traditional English apples have not been widely available since they were swept off the shelves by cheaper, mainly French-grown, imports after Britain opened its market fully to the European Community more than a decade ago.

UK fruit growers had all but resigned themselves to the demise of venerable varieties such as Laxton Superb, James Grieve and Chivers Delight, and many had started grubbing up the trees which grew them. Today, thousands of trees bearing these varieties are being re-planted across southern England.

But is the return of the English apple a tribute to the multiples' responsiveness to changing consumer tastes - as they themselves would have it - or a belated recognition of public demand?

Some growers and packers say they tried in vain to interest supermarkets in a wider range. "The multiples were not providing what consumers wanted - they were providing what they thought they could get the biggest mark-up on," says the Earl of Selborne, a leading fruit grower who supplies Sainsburys from his Hampshire estate.

The supermarkets blame the growers. "For many years they produced what they wanted to grow, not what the consumer wanted," says Alan Cheeseman, Sainsburys' apple buyer.,

There is truth on both sides of the argument. The multiples' heavy investments in automated techniques such as bar-code scanning and centralised distribution systems have given them an incentive to sell standardised products which can be delivered in large volumes at regular intervals.

Nothing could suit these requirements less well than traditional English apples. Produced by a fragmented cottage industry of 750 commercial growers - some with only a few acres of orchard - they can be hard to grow, crop erratically, need delicate handling and have short shelf lives.

Many varieties have a season of only three or four weeks and dribble onto the market in tiny amounts. Safeway estimates that only 20 per cent of the 190,000 tons of apples grown commercially in the UK last

year were not Cox's or Bramleys.

Furthermore, even growers admit that until recently they were poorly organised and their quality patchy. In the past few years, however, they have realised they had to become more commercial to survive.

Closer collaboration has played an important role. A start was made in the early 1980s with a joint initiative to draw up common standards in areas such as packaging, grading and quality. Since then, cooperatives have grown steadily: 60 per cent of all UK-grown apples are sold through cooperatives today, double the proportion a decade ago.

English Apples and Pears, a promotional organisation formed four years ago, has begun sponsoring television commercials, with support from larger cooperatives such as East Kent Packers and Home Grown Fruits.

The larger cooperatives have become more enterprising, too. At Home Grown Fruits, managing director Malcolm Schofield, a former Cadbury-Schweppes executive, has launched several successful marketing initiatives. One has been to package smaller apples with a children's comic and sell them as fruit for school lunch boxes. Such apples, which often had to be thrown away in the past, now command premium prices.

The growers have even begun to export. After much of their crop was blown to the ground in 1987, they began selling Bramley windfalls to continental buyers for juicing - a business which has developed into a small but steady trade.

Meanwhile, more research is going into making English apples hardier and easier to grow. Much of the work is being done at Brogdale, an experimental horticulture station near Faversham in Kent, which the Prince of Wales helped save earlier this year after the Ministry of Agriculture decided to cut funding.

Most growers and packers agree that Marks and Spencer was the first large retailer to recognise that it could capitalise on these more business-like attitudes. At least some of the credit for bringing the two sides together goes to Common Ground, a heritage charity which had chosen the English apple as a symbol of its own efforts to restore the British landscape. Common Ground approached M&S in 1989 about stocking older English varieties and a year ago persuaded the group to take a stall at an "Apple Day" festival in London's Covent Garden.

David Gregory, M and S' fruit technologist, says the group liked the idea because English apples could be handled by systems it had developed to distribute sandwiches and other fresh products. Unlike some competitors, M and S does not store its English apples in low-oxygen warehouses but delivers them to its shops once they are ripe.

M and S says it has improved the supply chain by organising regular meetings with growers, packers and propagators and exchanging information with them. Encouraged by this show of support and by their contacts with other retailers, growers are starting to re-plant their stocks.

This investment is not without risk, particularly for smaller producers. Planting costs about £1,500 an acre, and an apple tree does not begin to yield commercial crops until it has been established for between three and five years.

Much will depend on the retailers' long-term support. Lord Selborne says some growers are "a bit cynical" about how long it will continue. However, Peter Lovelace of British and Brazilian, a Suffolk-based packer and grower, is more confident. "It started as a fad, but it has a long way to run. I wouldn't say that if they didn't taste so good," he says.

Teams take field for football card match

Gary Mead joins the soccer-mad schoolchildren who have millions to spend on the latest craze

A battle is raging in UK school playgrounds for the hearts and minds – as well as the pockets – of football crazy youngsters.

With the football season well into its stride, a marketing tussle over football cards is in full swing. Even City stockbrokers are swapping cards when not trading bonds.

Card-collecting is a \$2bn business worldwide. In the US, single examples of rare baseball cards can fetch several thousand dollars, attracting adults as well as children. In the UK the hobby has barely begun, though with some 7m children aged between five and 14, each with around £4 a week pocket money, it could take off.

For 30 years, Panini, an Italian company, has produced albums and more than 30bn stickers for children, covering a wide range of Walt Disney characters and stories.

Panini was bought for £80m in 1989 by Maxwell Communications Corporation. Panini's marketing director, Bruce Burgess, was hoping to stir 10-year-olds with its "Football Card Collection". But the death of Robert Maxwell, the power behind MCC, means that Panini is now vulnerable. There are indications that MCC may now sell Panini; a couple of rival card producers are sniffing around, though their hopes to buy it for less than £50m might still persuade MCC to retain Panini.

Merlin Publishing is the UK distributor of the US company, Super League Publishing, whose rival set of football cards is "Shooting Stars". Super League Publishing is a subsidiary of Patricia Kluge Investments, owned by the former model Patricia Kluge.

The third giant in the game, Pro Set, is owned by a former Vietnam war pilot, Ludd Denney. Denney established Pro Set, a Dallas-based company, in 1989. Pro Set UK claims to have sold 15m of its first football card series, launched in February.

Pro Set UK sells its Football League-endorsed "Player Cards" in packets of 10 for 35p, the same format used by Panini; Merlin's packet of 15 cards costs 50p.

Though all insist their cards are superior, all three are similar on a casual glance, featuring soccer stars from the British leagues. The scrimmage for market domination focuses on the degrees to which the companies can win an advertising blitz.

According to Bruce Burgess, only one set will gain that elusive factor, schoolboy snob appeal. His marketing strategy for Panini – playing on children's desire for trendiness – has been halted by MCC. Nothing daunted, he has just signed a contract with former rival Pro Set.

The main card outlets in the UK are 40,000 newsagents, but each of the three main players are heavily promoting their products through television, newspaper and magazine advertising, banking on what Burgess calls "pester-power" – children driving their parents' spending.

Panini had links with the Mirror group, with a planned advertising budget - now probably abandoned forever – of some £2m. Pro Set, also with a £2m promotional campaign, has teamed up with News International.

Super League Publishing is planning a £750,000 advertising campaign on the satellite television channel Sky.

Burgess has ambitious plans. Early 1992 he hopes to launch a multifaceted joint-venture marketing campaign, which would have linked Panini - but will now connect Pro Set - with up to six other companies that sell to 10-14 year olds.

Initially, Pizza Hut will join Pro Set in cross-promotion ventures. Burgess is marketing a Pro Set-Pizza Hut nationwide kids' club, which he hopes will tune into young peoples' tastes rather than pander to what parents think their childrens' taste should be.

Pizza Hut's staff in their 202 UK outlets are undergoing training to orient them more to teenage taste; Pro Set and Pizza Hut will heavily promote one another's products. Burgess sees the cross-promotion venture as a key device for gaining market dominance, be it Panini or, as now, Pro Set. "We don't want to help the development of football. We want to build a craze and be slightly rebellious, because that's what kids really want"

So far the UK and European card market is geared entirely towards youngsters. That may change. Now that Panini is going through tough and uncertain times, Pro Set hopes that one day – soon – it will clean up not just in the US but in Europe too.

FINANCIAL TIMES SURVEY

BASLE AND THE UPPER RHINE

Thursday November 21 1991

Basle sees its future, like much of its distant past, being bound up more with the development of its own region and the rest of Europe rather than with Switzerland. Links across the border with both France and Germany are already strong. **Ian Rodger** reports

Tantalising goal of unity

IF you look at a relief map of the upper Rhine region, the most striking thing about it is that Basle, although part of Switzerland, is cut off by the Jura mountains from the rest of the country. However, it is wide open to southern France and Germany with which it shares the upper reaches of the Rhine valley.

These observations are repeated often in Basle these days because this extraordinarily prosperous city sees its future, like much of its distant past, being bound up more with the development of its region and Europe rather than that of the rest of Switzerland.

And that is why, perhaps more than anywhere else in Switzerland today, there is open anxiety in the city about the prospect that the country will reject the opportunity next year to join, first, the European Economic Area (EEA) and, at a later stage, the European Community (EC) itself.

"We know our national boat is on an ocean. To pretend that it is only on our own lake will not help us," says Mr Georg Krayer, chairman of the Basle Stock Exchange.

This anxiety does not arise exclusively from the fear of being excluded from the development of Europe. It derives in part from the growing realisation that other pillars on which the city has built its prosperity in the past century are also shaking a bit.

For example, Basle-based banks, which have catered so successfully in the past to French and German individuals seeking security for their fortunes, now find that a new generation does not see Swiss monetary stability as being any greater than that available elsewhere in Europe.

Thus, the banks are learning that they must compete like any other financial institution for business, using whatever advantages they can muster. And one of the few advantages they have left is a strong international financial centre in Zurich.

Meanwhile, the chemical-pharmaceutical industry, which has contributed so much to the city's prosperity in the past century and still dominates its industrial structure, has begun to shift its high-value research and production activities elsewhere.

To some extent, this is an inevitable trend, as multinational companies, including the Basle-based Ciba-Geigy, Roche and Sandoz, feel increasingly obliged to move closer to their main markets. However agreeable it may be, Switzerland is not a leading market.

But relations between the chemical companies and the city were severely – perhaps irreparably – damaged by the fire at a Sandoz warehouse in nearby Schweizerhalle five years ago. The water used to put out the fire drained into the Rhine, taking toxic liquids with it that caused severe damage to marine life in the river.

"People here lost faith in the industry and the industry lost its innocence," Mr Urs Weber, editor of a new regional newspaper in Basle, says.

Ciba-Geigy's lengthy, and so far unsuccessful, struggle to win public approval to carry out R&D in the city using genetic engineering has shown the companies that Basle may no longer be an accommodating environment for them.

Basle's problems should not be exaggerated. With a per capita income of nearly SFr53,000 ($36,800) a year in 1988, the city was the second-wealthiest in Switzerland after Zug. And it can honourably claim to be the cultural heart of Switzerland, with more than 30 public art collections and 150 private art and antique galleries within its limits.

Also, it might not be a bad thing, from a regional point of view if the intensity of industrial activity in Basle did recede a bit. The city has long showed signs of being absurdly overdeveloped. Huge industrial and transport facilities sit cheek-by-jowl with quiet residential districts. If a company wants to expand or modernise its facilities in the city, it has no choice but to tear down existing buildings first.

The lengths to which the big companies have in the past been willing to go to stay in Basle is perhaps best illustrated at the Sandoz complex hugging the French border. Lacking space for water treatment facilities, the company built a plant in 1981 on adjacent land on the French side of the border, and now pumps its waste water through an underground pipe to the plant.

However, the French did not want the purified water going into the Rhine on its side of the border because that would count against their quota for such discharges. So Sandoz has to pump it back into Basle before releasing it into the river 300 meters upstream from its French purification plant.

Several years earlier, when the company needed more parking space, it proposed building a parking lot on the French side of the border that would be entirely fenced in and accessible only from the Swiss side. The French agreed, thus creating a small blip in the international border, but only on condition that Sandoz modernised an old dyestuffs plant on the French side of it.

The pressure has continued to intensify. The number of people crossing every day into Basle to earn their living, mainly from Upper Alsace, but also from southern Baden-Württemberg, has doubled in the past decade to more than 35,000. This puts additional strain on Basle's infrastructure and causes not a little resentment elsewhere, especially as more and more of these "frontaliers" are scientists, managers and other white collar workers. Mr André Klein, secretary-general of the Département du Haut-Rhin at Colmar, says bluntly: "We would rather that there were more factories in France than have all these frontaliers going to Basle every day."

Mr Klein and others think the problem of economic differentials between the three areas will gradually ease as regional planning and co-ordination progress. And he is joining wholeheartedly in efforts to develop the so-called "Dreieck-you land" or triangle region. "We are a unified entity, and we need a common promotion effort," he says.

The unity of the region is a tantalising idea from many points of view. While Basle is overcrowded and lacking in space, the neighbouring French and German jurisdictions have lots of space and available labour.

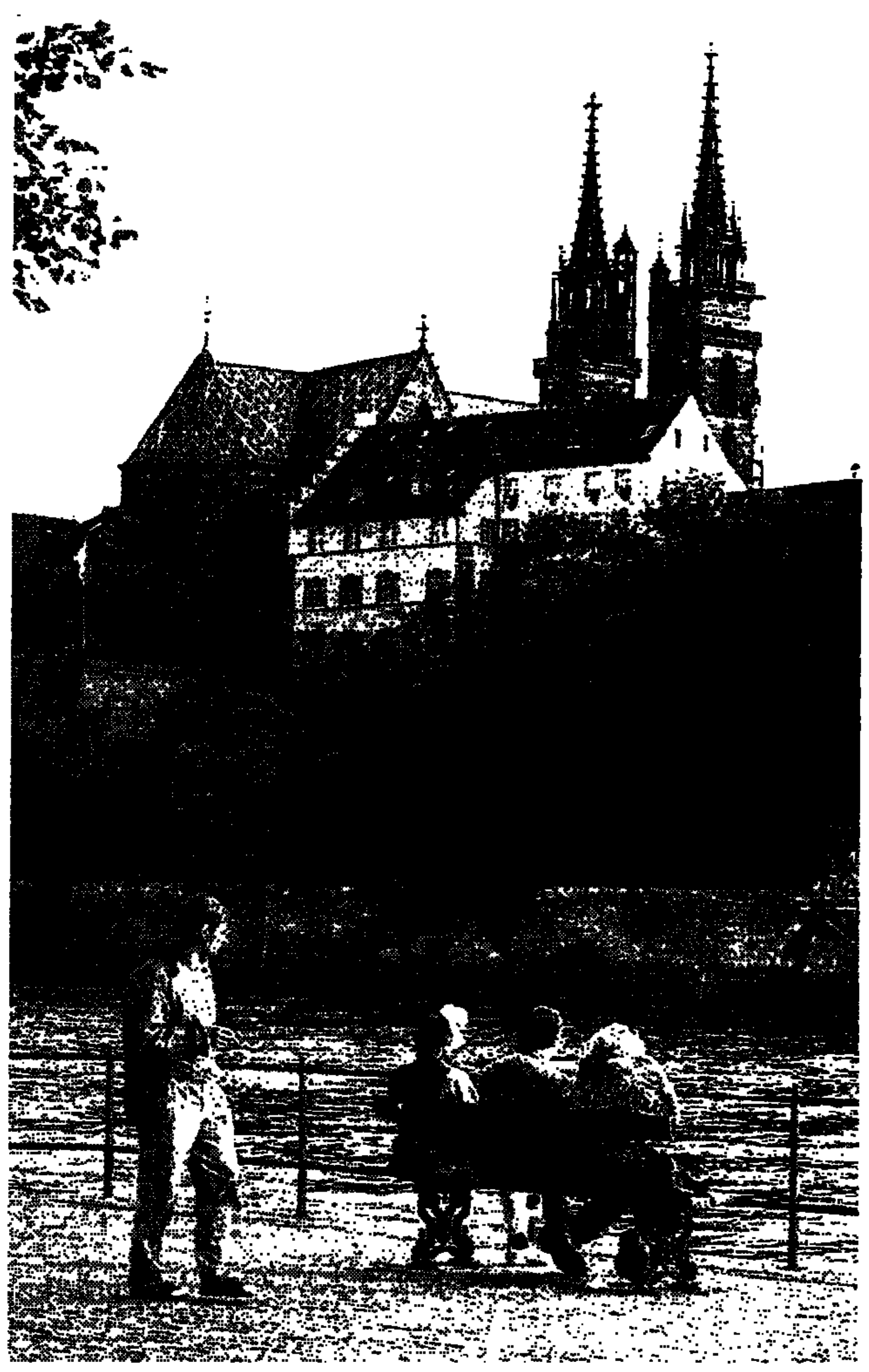
Being in the heart of Europe, the region has long had and will continue to have an important role in the movement of both people and goods. It is no coincidence that two of the world's largest freight forwarding groups, Danzas and Panalpina, have their headquarters in Basle.

There are also strong cultural ties among the peoples of the region, despite the ravages of scores of wars and changes of borders over the centuries. The existing borders are largely the product of the Reformation when Basle became Protestant, Roman Catholics converged on Freiburg and the Alsacians sought protection from the French throne. However, a common Allemanic dialect is still spoken in all three countries.

It would be a considerable achievement if the three national governments concerned could subordinate their national wills to the desires of these people to develop their region.

"We are a model for Europe," says Mr Hans Briner, the man who is generally credited with the idea of promoting regional co-ordination in the post-war era, and who has been working on it tirelessly for 27 years as head of an organisation called Regio Basiliensis.

"We want a Europe of regions, not countries," Mr Briner says.



Basle: open anxiety about Swiss decisions on whether or not to join the EC and EEA

REGIO BASILIENSIS

Something to celebrate

HANS BRINER still beams with pride as he recalls December 15, 1989.

That was the day that President François Mitterrand of France, German Chancellor Helmut Kohl and the then Swiss prime minister, Jean-Pascal Delamuraz, all came to Basle.

Not only did they come, but they did so in a most spectacular way, each in his country's new high-speed train, meeting at Basle's main railway station to pay tribute to the efforts of Mr Briner and his colleagues to promote unified development in the upper Rhine region.

The building of close economic and cultural relations among the peoples of Upper Alsace, south Baden and north-west Switzerland in recent years is certainly something worth celebrating. For centuries until then, they seemed to spend most of their time at each other's throats. In the past 110 years, for example, the border between France and Germany in the region has shifted four times.

People in the region are agreed that much of the credit for promoting the improved climate belongs to Mr Briner, a Basle-based economist who was inspired by the signing of the Treaty of Rome and set out to try to build bridges between France and Germany at the regional level.

In 1964, he formed Regio Basiliensis, a regional promotion organisation, with backing from the urban and rural Basle cantonal governments and industry. A similar organisation was formed in Mulhouse in France two years later and in Freiburg much later in 1985.

Mr Briner then sought to win some power for the Regio over regional planning, succeeding in 1975 when the French, German and Swiss governments agreed to set up a joint commission to oversee co-operation in the region. Since then, committees of local officials have worked diligently on such matters as regional transport networks, environmental protection, tourist promotion and the like.

It is not easy to pin down exactly what this now rather unwieldy apparatus has achieved, but there is no doubt that a sense of belonging to a region has become more widespread in the past few years, and preoccupations about borders have tumbled.

Take the case of Swiss Bank Corporation, which has long had its headquarters in Basle, but had never thought much until recently about doing business in neighbouring parts of France and Germany. It was all too daunting, what with different laws, customs and practices on personal and small business loans in the two foreign countries.

Three years ago, a team was set up to try and tap the regional market. "We are looking for people who live up to an hour away from here by car and read the same papers and speak the same dialect as we do," says Mr Paul Lachaumee, the SBCI vice-president who heads the team.

On a totally different level, in the late 1970s all three national governments had ambitious plans for nuclear power developments in the upper Rhine region, but co-ordinated opposition in the three areas helped stall all but one of the plants. "That movement really helped to develop a regional consciousness," Mr Urs Weber, editor of a new regional newspaper, says.

Mr Briner himself does not claim any great accomplishments for the Regio organisation, other than that of convincing the three heads of government to come to Basle. "I am a kind of missionary," he says. "We cannot dictate anything. We needed 20 years just to get to the point where our decision-makers would entertain new ideas on neighbourhood-making. Remember, this is a region where people killed each other."

Mr Briner believes that the region is now sufficiently established that it will survive, regardless of whether or not Switzerland joins the European Community.

"This region is probably prepared to test every eventuality. Take the worst case, that we do not enter the EEA or the EC. We will then be in a very difficult situation. Business would move out. There would be a lot of human problems, especially on the Swiss side of the borders. But the rest of the region would be in a much better position.

"The best scenario is that we enter the EC as soon as possible and start discussing the shape of the new European confederation. We want a Europe of the regions. Europe should be organised like Switzerland."

Ian Rodger

Visiting in style: Mitterrand, Kohl and Delamuraz with their high-speed trains in Basle

BASLE AND THE UPPER RHINE 2

Ian Rodger examines Basle's role as a transport centre

Busy crossroads

EVER since the first wooden bridge across the Rhine at Basle was built in 1225, the city has been a busy crossroads at the centre of Europe.

Today, it is still a key centre for transport, with important water, road, rail and air links to all parts of Europe and beyond. No less than 40 per cent of Switzerland's trade passes through the city.

There is also an increasing amount of trans-shipment through Basle between northern and southern European countries, including the breakdown of 40-tonne lorry loads to the 28-tonne limit specified by the Swiss authorities for shipments through the Alpine passes.

Several large transport groups have their headquarters in Basle, including the freight forwarders Danzas and Panalpina, and the shipping group Schweizerische Reederei & Neptun (SRN).

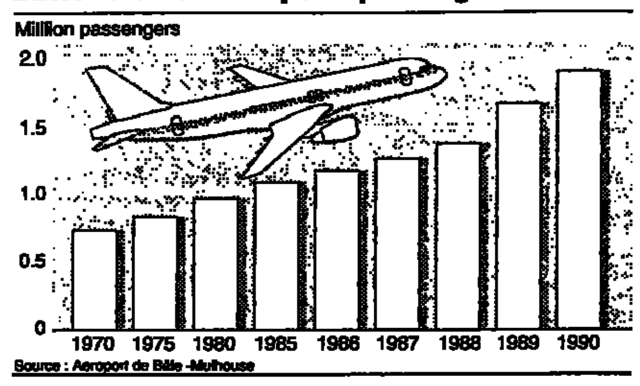
With the prospect of Swiss membership in the European Community, the importance of the transport infrastructure in the city and surrounding area seems almost certain to grow.

The relative importance of different modes of transport has changed considerably since 1225, and continues to change. Next year will see the opening of the Rhine-Main-Danube canal, which will undoubtedly have an impact on water transport in the heart of Europe. France, Germany and Switzerland are all building high-speed rail systems that could reach Basle, and there are plans for a new rail pass through the Alps to accommodate anticipated increases in freight volume.

The local authorities in the region are developing a regional rail system for commuters and the local airport – a unique Franco-Swiss entity – also has ambitious plans for the future.

The airport, which formally serves both Basle and Mulhouse in France, is the result of a 1949 treaty between France and Switzerland providing for an entity that would be located on the French side of the border but financed largely by the Swiss. The airport facilities, except for the runways and aircraft docking equipment, are split in two, such that passengers and freight going to or coming from the two countries use their own customs and immigration facilities. The airport is not a national border between the two countries.

Basle - Mulhouse airport : passenger traffic



Source : Aeroport de Bâle -Mulhouse

Swiss traffic approaches the airport, which is only 4km from the centre of Basle, by way of a fenced-in road, thus avoiding a French border crossing on the way.

Management of the airport is shared, with French employees paid at French rates and under French laws, and Swiss workers under Swiss terms and conditions.

The airport developed slowly at first, affected by the drawing power of Zurich's airport which is only an hour away by road or rail.

In recent years, however, activity has grown more rapidly, following the heightened pace of development in the whole upper Rhine region. It now serves 2m passengers a year and handles nearly 60,000 tonnes of freight.

The next challenge for the airport authorities is to respond to a request from Germany to make the facility tri-national. The airport authority is sympathetic in principle to this request, not least because it does not want to see a competing airport built in southern Baden-Württemberg.

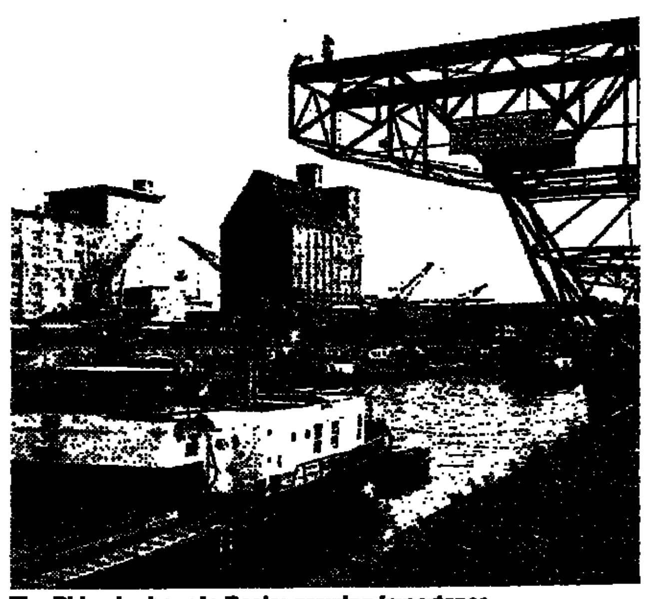
Since 1987, Germans have participated in the airport consultative committee. The airport has begun calling itself "Euroairport" and claims in its publicity to serve Freiburg as well as Basle and Mulhouse. The city of Freiburg now sponsors a regular bus service to the airport.

The next steps are more complicated. Freiburg wants flights from other parts of Germany to the Euroairport to be considered domestic flights and therefore to benefit from domestic tariffs. And it wants to become a full member in the airport management.

Airport managers, who already have to tiptoe about carefully to respect the immigration rules of two countries dread the thought of having to deal with a third. This, of course, will be simpler once border controls within the EC are abolished. They also dread opening the 1949 treaty for amendment, fearing that it would open the way for France, in particular, to negotiate tougher terms for the use of its territory.

The airport authorities are more interested in planning for expansion. They have managed to reserve additional land for a second runway, although it is not likely to be needed for a decade or more. And they are trying, so far without success, to interest the French and Swiss railways in establishing a rail station at the airport.

The railways, understandably, are more interested in developing their own glamorous high-speed trains. Basle is already well served, having stations within its limits of the French, German and Swiss railway systems. Both the Swiss and German railways plan to extend their high-speed systems to Basle, and there are hopes that the French system too will terminate at the city.



The Rhine harbour in Basle: growing importance

Perhaps the most interesting development on the shipping front will be the opening of the Rhine-Main-Danube canal next September. Mr Christian Aeschlimann, president of SRN, says it is still unclear what impact it will have on Rhine traffic. "We worry a bit about eastern European fleets coming into the Rhine with their low costs. Our safety standards on the Rhine are much higher than those on the Danube. We are not trying to keep them out, but rather to maintain our standards," he says.

Given the long distances on the Danube and the relatively low density of industrial activity on it compared to the Rhine, he doubts that the opening of the canal will provide a big opportunity for Rhine ship operators in the near future.

Mr Aeschlimann is more concerned about unfair competition from Europe's railways and roads. He claims that they charge little more to ship goods by rail from Rotterdam to Milan than from Basle to Milan, thus making the combined ship-rail option uncompetitive. He argues that it would be far better for Europe to use more fully the water transport routes that it has than to continue expanding road and rail networks.

■ BANKING AND FINANCE

Overshadowed by Zurich

BASLE'S position as a financial centre is distinguished more these days by the list of members than by its activity, and there seems little possibility of things picking up in the near future.

One of Switzerland's three universal banks, Swiss Bank Corporation, has its headquarters there, but most of its market and international activity is managed in Zurich. No one seriously suggests that Basle, which is only an hour away from Zurich, will win back a place in international banking business in the foreseeable future.

The Bank for International Settlements, which serves the industrialised countries' central banks, is based in Basle but it tries its best to avoid making its presence and activities known.

The Swiss Bankers Association is likewise headquartered in the city, a reflection of the Swiss preoccupation with balance – in this case, preventing the association from being dominated by the powerful Zurich-based banks. And, in any event, most of its lobbying activity is aimed at Berne.

Basle is still a good centre for private banking, with many huge private fortunes made from the city's long history of successful enterprise. In a recent listing by the Basler Zeitung of the city's richest known residents, 16 were said to have assets of more than SFr100m. The richest, Mr Paul Sacher, a musician who married into the Hoffmann-La Roche fortune, has assets of between SFr3bn and SFr4bn, mainly in Roche shares.

The other financial institution that is totally part of the Basle community is the local stock exchange, but its days seem numbered now that the country's stock exchanges are in the middle of a period of radical reform.

In the past few years, the number of stock exchanges in Switzerland has been dwindling rapidly from an absurd seven to three. Basle's, with turnover of about SFr80bn a year, is by far the smallest of the remaining three; Geneva's turnover is about SFr200bn while Zurich dominates with SFr600bn.

The problem facing the Basle exchange is that its 14 members, most of whom are also members of the Zurich and Geneva exchanges, are more concerned with the overall health and future of Swiss securities markets than of any particular exchange. And, in order to be competitive in the world, they see the need to create a single, large, liquid market in the country, with most trading carried out electronically.

"We strongly feel that Switzerland is no longer the centre of the world. It is just one financial centre competing with others, and with some significant tax disadvantages," says Mr Georg Krayer, chairman of the Basle exchange and a partner in the Basle firm of A. Sarasin & Co.

The latest concrete step toward unity was taken with the introduction, from the first of this year, of a centralised office for handling new listings. Within the next few weeks, industry leaders are to decide on whether or not to install an electronic market specially designed for them by Andersen Consulting.

As with most collective decisions in Switzerland, it would be dangerous to forecast the outcome of the security dealers' deliberations. There is, apparently, a preference among Zurich dealers to postpone the introduction of the electronic system until after the new Zurich stock exchange building is completed next year. Some also wonder whether they would be wiser to buy a relatively inexpensive, off-the-shelf computer system rather than the high-cost design from Andersen.

On the other hand, resolution of the issue is urgent because business is slipping away from the Swiss exchanges to London and Luxembourg. The attitude of the three big banks, which account for more than half the turnover on the Swiss stock exchanges, will be crucial. But they have not yet indicated what they intend to do.

What is clear is that, one way or another, the Swiss will move to electronic trading within the next two or three years. What that will mean for Basle's financial community is the subject of some debate. "We are in an old building here, which shows perhaps that we have more of a history than a past," one member says sardonically.

"In the near future, since most of our members are members of Zurich and Geneva too, they may centralise their operations in Zurich. In the medium term, it is an open question. At least they have the opportunity as members to go anywhere," Mr Krayer says.

Mr Ren Kaufmann, director of the exchange, is more optimistic. "Electronic trading will provide a new lease of life for all of us. With decentralised access to trading, know-how can stay where it is."

Mr Krayer suspects that Basle will have to develop excellence in some niche area, much as Edinburgh has managed to remain an important centre for fund management. He points out that Basle dealers have specialised in the past in forward trading, and were instrumental in developing the national electronic options and futures exchange, Soffex, three years ago.

Another possibility is that Basle will become a regional financial centre. Perhaps surprisingly, the city's financial institutions have not won much business from the neighbouring upper Alsace and southern Baden-Württemberg areas. In fact, it would be more accurate to say that it seldom occurred to them to look for business in these areas, which were relatively poor compared to Basle.

Also, for centuries, the citizens of Basle have been accustomed to seeing their neighbours seek refuge in Switzerland from political and financial instability in their own countries, so there was no need to reach out to them.

Today, the movements across the borders are larger than ever but for different reasons. On one hand, the chronic labour shortage in Basle is creating more opportunities for French and German workers seeking high-paying jobs. On the other, the lack of space in the city is forcing Swiss companies to expand in neighbouring France and Germany.

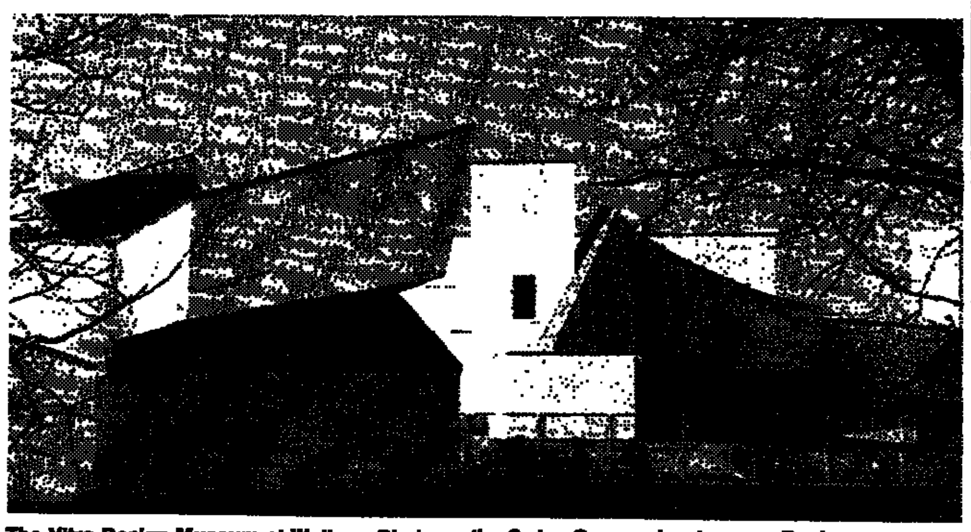
Swiss Bank Corporation was the first to detect an opportunity in these trends, and set up a unit three years ago to tap the regional market. Mr Paul Lachausse, who heads the unit, says the greatest success so far has been in the personal mortgage field. More than 35,000 French and German residents travel to work in Basle every day and, of course, earn Swiss franc salaries.

Until recently, Swiss interest rates were much lower than those in France, presenting many of these people with an opportunity to finance their homes more cheaply than they would at their local banks. "A mortgage from us also gives them an opportunity to hedge their currency risk," Mr Lachausse says.

The bank has also sought business with small and medium-size Swiss companies expanding into Alsace and Baden-Württemberg, but so far has not been very successful. "If you think about it, you realise that these people do not need us for their everyday banking, they need a local bank," Mr Lachausse admits. And often SBCI cannot compete against local credit unions offering very fine rates.

However, his group has found that, with its growing expertise in the laws, regulations and customs of provincial France and Germany, it can help companies in all three countries with regional mergers and acquisitions and with their international trade finance.

Ian Rodger



The Vitra Design Museum at Weil am Rhein on the Swiss-German border near Basle is housed in a building designed by California architect Frank Gehry. The museum has a collection of 1,200 pieces tracing the evolution of industrial furniture design

■ PROFILE: VITRA

Thoroughly integrated

THE big Basle-based chemical companies have long had operations in all three countries of the so-called Regio Basiliensis.

These days, smaller companies too are becoming increasingly indifferent to the borders which divide the region.

"On an average day, I may cross borders three or four times for meetings," says Mr Rolf Fehlbaum, director of Vitra, a Basle-based office furniture and shopfitting group.

Vitra was established in Basle in the 1930s by Mr Fehlbaum's father as a shopfitting business, and diversified into office furniture after the war. Its regional expansion also dates from that period; the group set up a manufacturing plant in Weil with nine employees just across the German-Swiss border from Basle in 1950. Its purpose was to duplicate production facilities in Basle.

"It sounds odd now, but in those days trade barriers were more important, and we did not really think much about rationalisation. We wanted to get into the big German market," Mr Fehlbaum says.

Operations at Weil have expanded dramatically since then and now are the largest in the group, with 880 of a total 1,370 employees. The large site on the southern edge of Weil houses not only factories but also the Vitra Design Museum.

The group has also built a plastics plant at Blotzheim on the French side of the three-way border, and now has a thoroughly integrated movement of raw materials and intermediate products among its three production sites.

Group headquarters remain in Basle and Mr Fehlbaum shares overall management with his two brothers.

One reason for the expansion into Germany and France was the shortage of labour in Basle. Mr Fehlbaum denies, however, that the group tries to take advantage of labour rate differentials in the three countries.

"We often do these calculations, only to end up doing what we would have done anyway. In Switzerland, wages are higher, but there are fewer holidays than in Germany and workers are more flexible about overtime. Anyway, it is impossible to do a sort of constant arbitrage. Each national company is an operation in its own right and its managers have their own interests to defend."

It is equally difficult to play games with corporate taxes, such as on internal transfer pricing, he says.

"The German tax authority looks very carefully at a company with a Swiss background, more thoroughly than they look at an ordinary German one. But if you do things correctly, that is not a problem. You have to be balanced in what you do."

Mr Fehlbaum says tariffs are no longer important enough to be a factor in the group's operations, so Vitra is not anticipating any change in its affairs as a result of Switzerland's plan to participate in the European Economic Area (EEA) or ultimately the European Community itself.

"I have a Swiss passport, but I do not feel I live on an island. Basle is very exposed to a region which is already very European."

Vitra now has a worldwide reputation for its furniture design, but Mr Fehlbaum has no intention to expand production operations outside the Regio area. It is building a new factory at Neuenburg a few miles south of Weil and has plans for expansion in both Basle and Blotzheim.

Fehlbaum believes the critical factors for a small company in deciding on factory locations are whether or not you understand the mentality of the people and labour supply.

The labour supply has been a problem from time to time, especially in Basle itself but, he says, "the fact that we are on this border gives us much more than if we were anywhere else in Switzerland." The group is now benefitting from the arrival in Germany of skilled craftsmen from eastern European countries, for example.

Logistically, Mr Fehlbaum finds the Basle area very convenient. Rail and road connections are excellent for shipping goods and the group sources materials from a wide area. From the Basle-Mulhouse airport, group salesmen can catch commuter air services and be in most European cities by 9am.

"We think about expansion elsewhere from time to time, but in the end, we come back to this area. It has to do with management structure, I think. A bigger company might think more abstractly about location, but we are not in that category. We run the group in a personal style."

Another attraction, he says, is that the upper Rhine area is not affected much by the problems of our time.

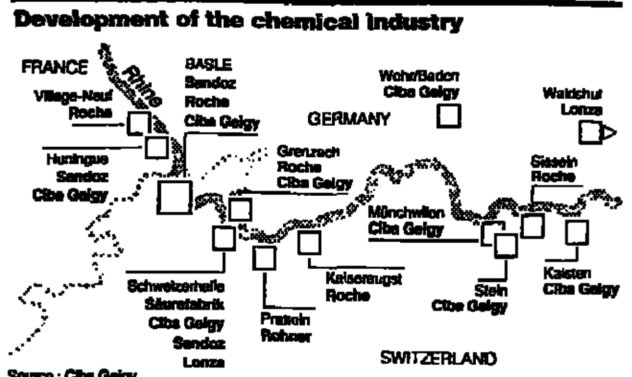
"We are blessed with small problems."

Ian Rodger

BASLE AND THE UPPER RHINE 3

Sandoz produces more than 90 per cent of its pharmaceuticals in the Basle area

Development of the chemical industry



Source: Ciba Geigy

Ian Rodger on politics and the chemical industry

End of an era

IT has been exactly five years since a fire at a chemical depot at Schweizerhalle, a few miles up the Rhine from Basle, caused massive pollution in the river.

Whatever the long-term ecological impact of the disaster – and it now appears to be quite modest – its effects on the social environment in the Basle area were immense.

It brought to an abrupt end, in the view of many, an era of naivety on both sides. Basle people had tended to put out of their minds the notion that they lived with a substantial element of risk, having three huge chemical complexes in their midst. The chemical companies, for their part, were inclined to reinforce this complacent view, giving the impression that they knew best how to take care of their businesses and the town.

Those attitudes were rudely shattered on November 1, 1986 as the sounds of sirens and an acrid stench spread over the city. Worse, when firemen pumped water onto the fire in the warehouse owned by Sandoz, up to 30 tonnes of dangerous agricultural chemicals, including 200kg of mercury, were washed into the Rhine.

A great deal of marine life, especially eels, was killed. Although no human life was lost, the fire could have led to widespread deaths through a release of phosgene.

In the weeks after the fire, both the companies and local political leaders would behave in ways that they would later regret. The companies frequently made petulant and self-serving statements in an attempt to play down the significance of the disaster. Angry residents said the companies were murderers and, on one occasion, threw dead fish from the Rhine at Sandoz officials.

"The over-reaction showed that something was wrong in the relationship," a Roche official says.

Today, both sides are calm again, but also more wary of each other. Public opinion polls indicate that the people of Basle think the companies are progressive, successful and provide good jobs. But they do not see the companies as friendly, either to themselves or to the environment, and so they cannot be trusted.

The companies accept these criticisms and now make great efforts to explain their activities. "Until 1986, the attitude here was that the press was an unnecessary evil and contacts with it were minimal. Schweizerhalle really affected the culture of the company. We speak willingly about it now," a Sandoz official says.

They have also sharply increased their spending on environmental protection systems, notably on huge catch basins to trap water used in putting out any eventual fires.

"We think we have been able to rebuild confidence to a certain extent – not that we are being loved or kissed – and we hope we can go further," says Heini Lippuner, chairman of Ciba-Geigy's executive committee. "There will always be risk in our industry. The question is how much is tolerable."

Despite the improved atmosphere, the future of the chemical industry in Basle is by no means secure. All three big companies have become nervous about an excessive concentration of their activities in the city and are gradually putting down roots in foreign soil and financial markets.

Certainly, the companies have a remarkably large portion of their activities in Basle. Ciba, for example, makes only 2 per cent of its sales in Switzerland, but has 25 per cent of its employees there and over half of its research and development budget. Roche has 21 per cent of its employees and a quarter of its R&D effort in Switzerland but only 3.8 per cent of sales.

Sandoz produces more than 90 per cent of its pharmaceuticals in the Basle area, the other two companies somewhat less. "This has not bothered us up to now, but perhaps we should move before it does bother us," says Sandoz.

Spokesmen for all three companies say that there will be no more significant expansion in Basle. They carefully do not say that they are abandoning the city. "We have passed the zenith of our involvement in the Basle region," is the way a Sandoz official puts it.

But there is a momentum in industrial affairs and once an outward trend of investment gets established, it may be difficult to reverse. It is strange that few industry spokesmen emphasise the extraordinary commercial value of the concentration of world-class chemical and pharmaceutical research talent in the city, and the desirability of preserving it. With three multinational companies, a like number of independent research institutes and a university all spending heavily on chemical and pharmaceutical innovation, there are great benefits for all.

It would be easy to attribute the companies' negative attitude to Basle to the shortage of space and manpower in the area. For example, according to the Swiss Society of Chemical Industries, of the 720 graduate chemists hired by the industry between 1988 and 1990, only 215 were Swiss.

However, a more substantial reason is the increasing challenge posed by a powerful lobby opposed to genetic engineering. That challenge took precise form two years ago when Ciba applied to the city of Basle for permission to invest SFr120m in a new building in the city for biotechnology research.

The application was vigorously challenged by the World Wildlife Fund and a local organisation called the Basle Appeal Against Gene Technology. Ciba finally got its permit in July of this year – with several conditions attached – but the opponents nevertheless appealed to the courts. These appeals could take up to three years and the company cannot move until the process is completed.

All three companies are appalled by the ease with which their attempts to keep on top of a crucial technology can be thwarted under Swiss law. Roche, which also has a building permit pending in Basle, has largely skirted the problem through its acquisition last year of a controlling stake in Genentech in the US.

Ciba, for its part, has made clear that it will decide by the end of the year whether to build its so-called Biotechnikum elsewhere. "It is vital for us to be able to practice genetic engineering, both in research and production," Mr Lippuner says. "We will have to decide by the end of the year where to put our biotechnology pilot plant."

Ms Florianne Koechlin, one of the leaders of the Basle Appeal group, says the main problem with genetic engineering is the high level of ignorance about it in the scientific community.

Although speaking only personally, she says she would be satisfied if the company would raise the safety measures in the proposed plant to a higher level, but Ciba has claimed this would render the investment uneconomic. That suggests there is still the possibility of a negotiated settlement, but the longer-term impact on Basle of the genetic engineering debate in the city could be more serious.

■ ECONOMIC STRUCTURE

Many differences

IT is a measure of the progress of the concept of Regio Basiliensis that a group of economists has recently begun to chart the evolution of the upper Rhine regional economy rather than that of Basle alone.

The generally accepted definition of the region is the area comprising the six Swiss cantons around Basle plus six districts of the upper Alsace in France extending from the Swiss border slightly to the north of Colmar, and five districts in Baden-Württemberg extending a bit north of Freiburg.

This is an area of some 2m people, of whom 500,000 live in the Swiss part, 900,000 in Germany and 600,000 in France. It has an extraordinarily high employment level of approximately 1m and an equally impressive gross regional product of roughly Ecu40bn (SFr70bn).

However, there are considerable differences in the economic structures of the different components of the region, reflecting to a large extent the differing political regimes under which they have developed. In the Swiss sector for example, only 7,800 are employed in agriculture, whereas in southern Baden the figure is 15,400 and in the upper Alsace 13,400.

On the Swiss side, secondary industry provides 84,000 jobs of which nearly a half are in the chemical sector. Indeed, the chemical industry provides nearly 20 per cent of all value added in the Basle area.

Upper Alsace is the least developed area industrially, and its industrial jobs have been concentrated in low growth traditional industries such as textiles and clothing. There is also a heavy dependence on a Peugeot motor plant at Mulhouse. However, it is also the fastest growing part of the region. Several new industries, including a handful of Japanese electronic equipment makers, have been attracted in recent years.

In the service sector, the Swiss side stands out again, with a strong representation in banking and insurance, while both the upper Alsace and south Baden areas are strong in wholesaling. All three areas have a relatively low representation in government and professional services, being at the periphery of their countries – and the overall position of services in the regional economy is relatively weak, accounting for 55.5 per cent of value added compared with the European average of 60.5 per cent.

Service sectors, as well as transport, are seen by many as those that offer the most potential for growth as the region takes on its own identity. "This is natural centre for European transport, with the Rhine access and good rail and air connections," says Mr Christoph Koellreuter, chief economist of the Basle Business Cycle Research Group (BAK). "What we are looking at is bringing back activity to the region."

Last June, BAK began publishing quarterly economic analyses for the region. In its most recent issue, it forecast that the Regio would have real growth of only 1.9 per cent in 1991 after a strong 3.8 per cent last year. The outlook for next year was for a slight acceleration to 2.5 per cent growth.

BAK acknowledged that the economies of the three parts of the region are still heavily influenced by their national economies. Thus, the Swiss and French parts of it have been more sluggish than the German part this year, and the reverse situation is expected to occur next year.

The region is also clearly suffering from being at the periphery of the three countries. While the growth rates suggested above are higher than those for western Europe as a whole, they are below average in the three countries concerned.

The most important single factor in the regional economy is the chemical industry, accounting for some 12 per cent of value added. BAK anticipates that growth in value added this year will be about 2.4 per cent compared to 4.8 per cent last year.

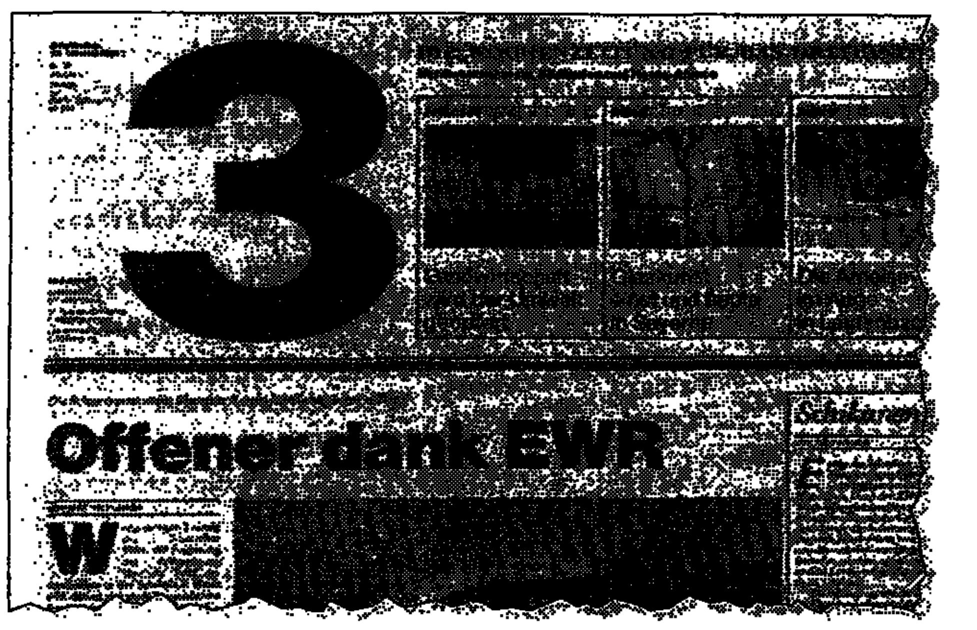
Slumping demand for chemicals is being offset by progress in the pharmaceutical sector. Next year, the overall growth rate should be somewhat higher, perhaps 3.4 per cent, as recovery in the building and automotive industries is expected to stimulate demand for pigments and speciality chemicals.

The capital goods sectors have suffered more from the stagnating European economy, and value added is expected to grow by only 1.8 per cent compared to 5.8 per cent growth last year. Only the continuing strength of demand for capital goods in Germany is preventing a bigger slide. Not surprisingly, German machinery makers have fared best, and are expected to show growth of nearly 3 per cent this year.

On the French side, Peugeot has invested about FFr3bn in tooling up for its new 106 model at Mulhouse, but production of the 205 has been progressively curtailed.

The construction industry is expected to register a slight decline this year, with slumps in north-west Switzerland and Upper Alsace more than offsetting the more buoyant conditions in south Baden. Housing has been particularly hard hit because of high interest rates. In the second quarter, housing orders in Basle City tumbled 26 per cent while in Upper Alsace, the number of building permits issued for housing dropped 22 per cent.

Ian Rodger



■ PROFILE: 3

Regional newspaper

BASLE has a new newspaper. It is called, simply, "3", indicating the three countries, France, Germany and Switzerland, forming the region it is attempting to serve, the so-called "Dreieckland".

The weekly paper was launched in February by the Basler Zeitung, the main daily in the city. It is published as a 16-page section in the Basler Zeitung on Thursdays and is also sold separately in kiosks in the neighbouring towns in France and Germany.

"When we started the project, we thought that there might be a real regional market. Now we know there is," says Mr Urs Weber, its editor.

The paper's main concerns are the problems of the people who live with the borders in the region on a day-to-day basis.

It has articles on such subjects as counselling Swiss on buying property in France and Germany and on the difficulties encountered by French residents with their social security system if they work in Switzerland.

The local implications of Switzerland joining the European Economic Area (EEA) and ultimately the European Community are now being minutely examined.

Most of the articles are in German, but there are always a couple in French and many of the illustrations have French language captions.

"There are are a lot of people in Alsace who still speak and understand the Allemanic dialect of the region, and we are trying to draw them in to read German," Mr Weber says.

So far, sales in neighbouring areas of France and Germany have been slow in developing, but the Basler Zeitung is likely to be patient with the project.

"Our ultimate goal is to sell our entire paper in the region. We are looking towards a time when national news will be of less importance, so the people will want to buy a regional paper rather than different national ones."

Ian Rodger

■ PROFILE: Swiss Industries Fair

Serious problems

THE Swiss Industries Fair (SIF) is one of Basle's success stories, being one of the few such organisations to be entirely commercially run and self-supporting.

SIF is probably best known for its annual European Watch, Clock and Jewellery Fair which this year attracted more than 2,000 exhibitors from 25 countries. But it also attracts dozens of other trade and professional exhibitions and congresses, enabling it to rank among the top 10 exhibition centres in Europe.

However, today it has two serious problems that must be resolved in the near future if it is to continue to prosper. The first is the need to find more space. The second is more difficult: finding ways to counter the disadvantages arising from Switzerland not being in the European Community. "We are only one mile from the future border of the European Community – but unfortunately we are on the wrong side," says Mr Philippe Lévy, the SIF's director-general.

From the beginning of 1993, when there will be free circulation of people and goods in the EC, there will still be a border between the EC and Switzerland, putting the SIF at a significant disadvantage to its competitors in other European centres. Meanwhile, the organisation anticipates that it will be short of space by the mid-1990s, and it has no potential for expansion on its current site in the middle of the city.

The solution now being considered for both these problems is a reflection of the heightened interest in regional development in the upper Rhine area. The idea is to build a new exhibition centre either on the German or French side of Basle's border, and to bring French and German local and regional authorities into the ownership of the organisation.

Since 1990, a committee formed of officials from all three sides of the upper Rhine borders has been considering new sites.

Mr Lévy says the choice has been narrowed to two – one adjacent to the Euroairport, which would be entirely on French soil, and another on a former freight yard right on the German-Swiss border that is no longer used by German Railways. Ironically, the 60 per cent of the land that is in Basle is owned by Deutsche Bundesbahn and the 40 per cent that is in Germany is owned almost entirely by the city of Basle.

A decision is expected early next year, and then a fresh new organisational structure will have to be created if a new site is to be developed.

What is already decided is that the new centre will be owned by organisations in the three countries. Lévy would like SIF – now 25 per cent owned by the city of Basle, with the rest of the shares in private Swiss hands – to remain the managing company, retaining its freedom to operate commercially.

Ian Rodger

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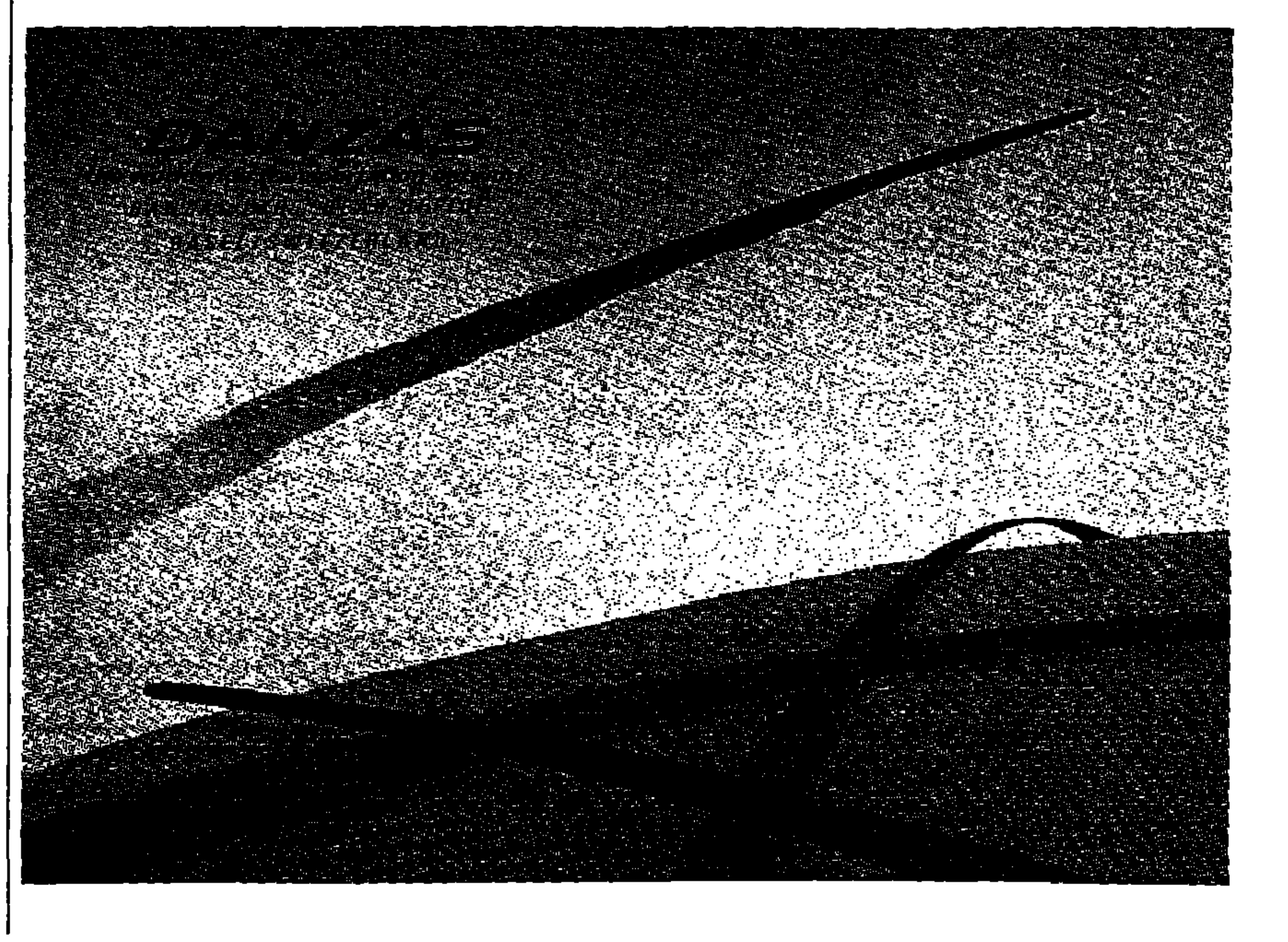

ARTS

CINEMA

Manly pursuits

THE TWO JAKES
Jack Nicholson

POINT BREAK
Kathryn Bigelow

K2
Frank Roddam

HANGIN' WITH THE HOMEBOYS
Joseph B Vasquez

SWITCH
Blake Edwards

AMA
Kwate Nee-Owoo and Kwesi Owusu

From the moment he donned his football helmet and spoke of a lost America in *Easy Rider* right up to his show-stealing performance in *Batman*, Jack Nicholson has time after time proved himself uniquely adept at rescuing films. With *The Two Jakes*, he does it again, giving his most subtly mature performance to date. The difference here is that the director he is bailing out is himself.

The Two Jakes is a sequel to Roman Polanski's masterful *Chinatown*, with Nicholson reprising his role as the cynical yet sensitive private eye Jake Gittes, and Robert Towne once again providing the script. The action takes place a decade after *Chinatown*'s tragic finale, in which Gittes's true love was killed after the truth about her incestuous relationship with her father was revealed. Gittes, fleshier, richer, yet still working adultery cases, finds himself once again drawn into a vortex of secrets and betrayal, this time involving land which just might belong to his dead love's illegitimate daughter. Haunted by memories, Gittes soon finds himself breaking every rule of the private eye's rulebook as he tries to rescue the girl.

It is a fundamentally strong story, though it lacks the ingenious nuances and twists of Towne's earlier effort. There are good performances throughout, most notably Harvey Keitel as the other Jake, a rich land developer who kills his wife's lover, and Richard Farnsworth as a conniving oil baron. But it is Nicholson who is especially superb, giving a performance of wistful restraint that stands in sharp contrast to the sly, self-satisfied work that seemed in danger of hijacking his middle age.

Where the film proves lacking is in its plodding pace, brought on partly by Nicholson's too careful direction, but also by Towne's inability to find a dynamic to fuel his elaborate plot the way the theme of illicit love kept you glued to your seat during *Chinatown*. It is all too static and stately, bordering at times even on tedium. You can feel the absence of Roman Polanski's deft hand, especially in the more emotionally pitched scenes. Nicholson the director seems to have forgotten what Nicholson the actor knows in every bone in his body – that above all it's a *motion* picture he's making.

*

There's nothing tedious about *Point Break*, the story of a boyish FBI agent (Keanu Reeves) who goes undercover at the California beach in order to investigate a gang of surfing bank robbers led by a mysterious character named Bodhi (Patrick Swayze). It is all action from the opening credits, with Reeves and Swayze playing cat and mouse through a series of manly pursuits that include night time surfing and freefall parachuting. There are also plenty of fistfights, shootouts and car chases as well, all accompanied a ringing rock soundtrack that should appeal to anyone who believes that the boyish Reeves would actually qualify as a field agent for the FBI.

The film ventures onto less certain ground when it attempts to explore the dangerous ties that bind Reeves and Swayze, positing but not really making credible a kind of male bonding that thrives off risk and death. And Bodhi's Zen warrior ethos sounds like a load of West Coast nonsense when he says things like "if you want the ultimate rush, you have to be willing to pay the ultimate prices." Although this is a film that claims to be about adrenaline, it really has a lot more to do with testosterone.

There is also plenty of machismo about in *K2*, the story of two friends who try to climb the world's toughest mountain. Harold (Matt Craven) and Taylor (Michael Biehn) are Seattle yuppies who drive nice cars, attract lovely women and have great jobs. But it is just not enough, so they recreate by climbing perilous cliffs. When the chance to conquer the world's second highest peak comes along, it is an offer neither can refuse, even though Harold's long-suffering wife threatens to leave him if he goes.

Their ascent turns out to be anything but easy, fraught with conflicts within the six-person climbing party, trouble with the Pakistani porters, unpredictable weather and, most tellingly, the mountain itself, which kills climbers with alarming regularity. Eventually, just Taylor and Harold are left to try for the summit, discovering something about themselves and their friendship on the way.

As an action picture, *K2* holds up pretty well, providing some dizzying moments as the climbers swing across rock faces or negotiate icy walls. It is when director Franc Roddam and writer Patrick Meyers try to deepen the characters and say something about male bonding that the story plummets. For no matter how much the filmmakers try to provide rationales for this dangerous endeavour, our heroes remain nothing more than a couple of self-obsessed, reckless boys out for a big thrill.

At one point Harold, a physicist, claims he climbs mountains because nobody's discovered a Unified Field Theory. And when, at their most perilous moment, Taylor starts making a speech about how he wants to live with nobility, you cannot but hope that his ponderous words will start an avalanche that will kick start this film back into the action flick it should be.

One film that does have much of value to say about male friendship is *Hangin' with the Homeboys*, a delightful small budget gem from writer/director Joseph B. Vasquez. The film depicts one night in the life of four South Bronx buddies, two Puerto Rican, two black, as they drive around the neighbourhood looking for fun. Nothing much happens – there are no drugs, no gang related violence, no big statements about ghetto deprivation. Rather, Vasquez and his supremely talented cast of newcomers (led by the hilarious Doug E. Doug) focus on the subtle pressures at work on young men trying to come of age in a often faceless town. It is a funny, honest and often very touching account of the give-and-take of male relationships which puts to shame the multimillion dollar explorations of the same subject mentioned above.

Male bonding of a different sort is the issue in Blake Edwards' *Switch*, which tells the story of Steve Brooks, an obnoxiously chauvinist advertising executive who is reincarnated as a woman after being murdered by a consortium of jilted ex-lovers. Our hero, now Amanda Brooks (Ellen Barkin), is given the task of finding one woman who liked her when she was a he in order to keep from going to Hell. Much self-examination and redefinition on Brooks's part ensues, culminating in the rather alarming news that she is going to have a child.

It is an idea pregnant with possibility for mischief and insight, and for the first part of the movie it appears Edwards might be about to deliver. Barkin has a good stab at playing a man-in-a-woman's body, with her loose-limbed gait, husky voice and leering expression. And Edwards sets up some tantalising scenarios, such as when Barkin tries to seduce a lesbian. But before long the whole thing degenerates into lame farce, with plenty of groin kicks, haymaking punches and a ridiculously overworked set-piece in which Barkin falls off high heels.

Ama is an often engaging debut by the Ghanaian filmmakers Kwate Nee-Owoo and Kwesi Owusu that tells the story of a spiritually gifted twelve-year-old (wonderfully played by Georgina Ackerman) torn between her traditional Ghanaian roots and her present life in North London. When she slots an ancestral medallion into a computer at the place her mother works as a cleaner, dark prophecies about her boxer brother and asthmatic father appear on the screen, putting Ama into the familiar predicament of the wise youngster who must try to warn the ignorant adults of impending doom. There is much to admire here, although in the end it is a shame Nee-Owoo and Owusu did not stick closer to this storyline instead of letting the film degenerate into a loose portrait of London immigrant life.

Stephen Amidon

Sequel to Chinatown: Tom Waits, Jack Nicholson and David Keith in Nicholson's 'The Two Jakes'

St Petersburg Philharmonic

BARBICAN HALL

The orchestra has been re-titled: formed as the court orchestra in 1882, re-established on a state basis after the Revolution, the Leningrad Philharmonic last month followed the historically momentous name-change of its home city. As two Barbican concerts this week showed, it has not changed in other important ways: this is still one of the world's great orchestral institutions, with a sweep to its performing style and a distinctness of corporate tone-quality that provide some definition of its peculiar greatness.

Among the world's front-rank ensembles this orchestra has always sounded like no other. It continues to do so – the new freedoms have not, thank goodness, brought signs of creeping "internationalisation", homogenisation, attempts at the smoothing-out of departmental traits or quirks (the brass still blare out at climaxes with a vibrant intensity of delivery no western section would dare copy). If one had been brought blindfold into the Barbican during Monday's Rakhmaninov Second Piano Concerto or Tuesday's (not quite complete) second act of the Tchaikovsky *Nutcracker*, the characterising qualities – combination of athletic fervour, passion and breadth in the phrasing, total absence of anything half-hearted, mechanical or routine in the articulation – would surely have planted unmissable clues as to the orchestra's identity.

In one crucial respect, however, the Leningrad Philharmonic tradition appears to be facing an important challenge. For 50 years, the chief conductor was the great Yevgeny Mravinsky, nonpareil orchestral moulder, champion of Shostakovich (many of whose symphonies were composed with this conductor and orchestra in mind), musician of a stature that could be affirmed even by those who knew his work only from records. Since 1988 the occupant of the post has been Yury Temirkanov, already well-known in this country through, among other things, his concerts with the Royal Philharmonic. Temirkanov is a much lesser figure; and there, it seems, lies the problem.

He is undoubtedly a conductor of singular, not to say curious abilities – an eccentric, non-baton-holding shaper of performances whose podium demeanour, sometimes frankly (and, to my taste, gratingly) show-off in style, nevertheless achieves sumptuous results. In the Rakhmaninov concerto, one found oneself attending less to Eliso Virsaladze's soberly honest, musically uninflated account of the solo part than to the lush, rubato-teased accompaniment; in the Tchaikovsky ballet, despite tempos (and tempo-manipulations) that would have rendered the music entirely undanceable in any theatre, the delights of colour and melody were certainly made manifest.

But in two Shostakovich symphonies – the strangely ambiguous but gripping Sixth on Monday, the magnificently fierce Tenth on Tuesday – the lack of a firm centre to Temirkanov's musical personality seemed to be suggested with worrying completeness. Both works open with long slow movements, bare in scoring, in which their painful secrets are gradually told. Temirkanov seemed unable to unfold them steadily, ruggedly, without nudges and spurts of applied *Affekt*.

In the subsequent frenzied outbursts the sheer rightness of orchestral sound counted for a great deal, yet the snowballing force of argument was constantly diminished, diluted, even contradicted. In the matter of its Shostakovich inheritance, at least, the St Petersburg Philharmonic has – on this evidence – some awkward questions to resolve.

Max Loppert

The Philanderer

HAMPSTEAD THEATRE

During the research for his magisterial biography of George Bernard Shaw, Michael Holroyd stuck in his thumb and pulled out a small, tart plum. *The Philanderer*, one of Shaw's early "plays unpleasant", had a forgotten final act, never before performed, which expounded his views on the socially touchy subject of divorce. It was dropped on the advice of his friend Lady Colin Campbell, ostensibly because it was too scandalous.

Tacked back on to the performed and published version, a century on, the alternative ending substitutes an exclamation mark for a question mark. The philanderer Charteris, who Shaw mischievously confessed to being a partial self-portrait, is a man with a large heart who takes advantage of "modern" ideas of equality to flirt with whom he pleases. At the Ibsen club, where all are "chaps" and the "womanly woman" is persona non grata, he finds himself overwhelmed by feminine affections.

The only escape is to marry off the doting Julia (Eleanor David) while ensuring that the more contained Grace (Caroline Langrishe) has the good sense to turn him down. This Charteris does, with a farcical ingenuity that involves a debunked doctor, a sentimental theatre critic and a baffled colonel – three social archetypes, played with Shavian mock-solemnity, whose entrenchment denies modernity its will and its way.

The complete play, finely performed for the first time under Brian Cox's direction, is less "Ibsenist" than its incomplete version, privileging of thoughts over feelings in a wholly Shavian way. Instead of leaving his characters at the brink of a future that is as unsatisfactory as one cares to imagine it, Shaw sits them all down four years later in one of those rather tedious round-table talks for which he had such a penchant, and forces them to confront the consequences of their actions. Julia, a beautiful bosom-heaver from Eleanor David, and the Jonathan Coy's well-judged doctor Paramore are unhappily married, but in order for them to be set free the pillars of the establishment must crumble. Duty and hypocritical sentiment – personified in the older generation – must be abandoned, and none sees it clearer than Charteris, who is played with an oddly cold-blooded languor by the startlingly blue-eyed Clive Owen, which makes it clear why the women should go for him but not why he would fall for them.

Ah but, cries the young devil, in a perverse final about-turn, "the only people who can afford to behave exceptionally in this world are the genuinely exceptional people." This final qualification does more than anything to date a play which nevertheless has some startlingly modern thoughts to offer on issues such as vivisection, scientific integrity, and even – heaven help us – "the new woman".

Claire Armitstead

Alastair Muir

Clive Owen and Eleanor David

London Contemporary Dance

SADLER'S WELLS

London Contemporary Dance Theatre is making its traditional autumn visit to the Wells, with a new American artistic director, Nancy Duncan, and an opening programme of second-hand American dances. On Tuesday night these benefited from exceptionally lively and hard-driven performances by the company artists – who are, as ever, a superlative ensemble – but the effect of the evening was of gifted dancers killing themselves for lost causes. Each piece seemed alien, and hardly worth the trouble and the torrents of energy expended.

Nina Wiener's *Wind Devils* deals with the choreographer's childhood amid the dust storms and miniature whirlwinds of the Arizona desert. What we see is inoffensive choreography that calls upon the dancers to spin and turn in on themselves and their partners: it is sand-dry as invention, and smacks more of the classroom than the stage. There are portentous moments – childhood memory makes for solemn dance – and at the end I did not feel that anything had happened, though both Andrew Robinson and David Hughes were powerful in solos, and Leesa Phillips sacrificed her patellas in a sequence that must have been brutally hard on her knees. Costuming seemed concerned to make the dancers appear bulky or foolish – Mr Robinson had what looked like a nappy over his trousers – and the score was electronic wall-paper.

About jazz dance, which is what Dan Wagoner's *Flee as a Bird* can claim to be, I have many reservations. The free fantasies of the music need no less liberated movement, and Wagoner's response to certain sacred texts – *Let's do it*; *Miss Otis regrets*; *St James Infirmary* – has a sober-sided air. Nothing seems much like fun (some dirge-like tempi were no help), and though it is worth going a long way to watch the intense musical and rhythmic alertness of Kenneth Tharp – his dancing wears the melodic phrase like a favourite jacket – the ungainly capers that are supposed to be amusing soon outstay their welcome.

Freedom of Information is by the late Arnie Zane. It comes laden with flatulent programme notes, and offers dance as an activity both relentless and fragmentary. There is a tiresome score (David Cunningham) which splinters a descending scale rather as Zane's choreography jiggles and rattles between the cast, who leap, run, shake (Kenneth Tharp very funny as a disorientated Karate Kid), and burn up energy as if there were plenty more where that came from. Sheron Wray and Paul Liburd also immolate themselves in this less than good cause. Like last season's dreadful *Rikud*, it is dance that minimises and consumes its interpreters: and this is not the function of real choreography.

Clement Crisp

John Surman

QUEEN ELIZABETH HALL

Saxophonist John Surman is the most European of jazz musicians. An unreconstructed West Country bumpkin, he is better appreciated in Europe than at home and he records for the German ECM label. His latest recording, the subject of this tour, is called *The Road To St Ives*; it could as easily be called The Road To Maastricht.

The style of improvisation shown in his work owes little to American influences – he claims to prefer the Cornish coast in a Force 6 to New York's bustle – and usually cites early days as a choirboy or tortuous recitals heard in Bodmin Town Hall as his main points of reference. More recently, it seems to me, he has been listening to old Kraftwerk records in the ECM studio and incorporating their sterile but insistent sounds into his folky repertoire.

On *The Road To St Ives* he is showcasing his talents and sheer firepower as a solo improviser, accompanied by himself on keyboards, electronic "tape" loop and sundry effects. This equipment was laid out on a long table placed diagonally across a moodily-lit stage: an assortment of gizmos with knobs and dials side by side with a baritone sax, his first instrument, a soprano, a bass clarinet and a penny whistle.

Two hours of improvisation using this equipment is clearly tiring for Surman but is not too demanding for the audience. The music is abstract but Surman's technique is smooth and seamless. The baritone saxophone is a gentle giant of an instrument and as an improviser Surman has it tamed. With "Triple S Blues", for example, a treatise on pairs of odd socks, he gently *squeaked and whinnyed until* a loping rock and roll piece appeared out of the fog of abstraction in the background. The soprano, picked up as often as the baritone, was sweet toned, if wayward at times. The bass clarinet, a rarity in a jazz setting, let alone with an electro soundscape, evoked Peter and the Wolf discovering magic mushrooms.

Surman can play in a more conventional way and did: in a tribute to fellow baritone man Ronnie Ross, he gave a lilting and unaccompanied "Round Midnight". But mostly *The Road To St Ives*, with it's clean, twinkling accompaniment, is is going in the direction of those with New Age leanings. If you have yet to leave the Old Age, you still have to admire his old fashioned eccentricity, skill and sheer stamina.

Garry Booth

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ BERLIN

Philharmonie Kammermusiksaal 20.00 Simon Rattle conducts Haydn Symphony No 70, Stravinsky's Apollon Musagete and Messiaen's Oiseaux exotiques, with Paul Crossley piano soloist, also tomorrow, Sat and Sun (West Berlin 2614 383)
Schauspielhaus 20.00 Gustav Kuhn conducts the Berlin Symphony Orchestra in Mozart's last three symphonies, repeated tomorrow and Sat. Sun: Garrick Ohlsson piano recital (East Berlin 2272 261)
Deutsche Oper 19.30 Guido Ajmone-Marsan conducts Rigoletto, with a cast led by Ingvar Wixell and Luba Orgonasova. Tomorrow: *Cosi fan tutte*. Sat: Peter Schaufuss' production of La Sylphide. Sun: Gotterdammerung (West Berlin 3410 249)

■ BUDAPEST

OPERA
Tonight's performance at the State Opera is Cosi fan tutte, with Don Pasquale tomorrow, Tannhäuser on Saturday and Donizetti's Anna Bolena on Sunday and next Tuesday. The Erkel Theatre has Hungarian-language performances of La Gioconda tonight and Sunday, a gala concert tomorrow and *L'elisir d'amore at 11.00 on* Saturday. Pre-booking at the Central Theatre Booking Office (Andrassy ut 18) and at theatre box offices.
CONCERTS
The Budapest Ragtime Band performs tomorrow at the Obuda Social Circle at 19.00 (Kiskorona u 7), and the Benko Dixieland Band can be heard at 19.30 on Saturday and Sunday at the Pest Concert Hall (Vigado ter 1). On Monday, Ken-Ichiro Kobayashi conducts the Hungarian State Symphony Orchestra in works by Franck and Schumann at the Academy of Music. Pre-booking at the National Philharmonic Booking Office (Vorosmarty ter 1). The Merlin Jazz Club Restraurant (in the courtyard of the City Council, Gerloczy u 4) has jam sessions with Hungarian and foreign jazz musicians every evening between 22.00 and midnight, and from 12.00 to 16.00 on Saturdays and Sundays (117 9338)

■ CHICAGO

Orchestra Hall 20.00 Daniel Barenboim conducts the Chicago Symphony Orchestra in the world premiere of Ralph Shapey's Concerto Fantastique, plus Liszt's Second Piano Concerto with Alfred Brendel. Repeated tomorrow at 13.30 and Sat. Sun at 15.00: piano recital by Cristina Ortiz (435 6666)

■ GENEVA

Victoria Hall Tomorrow's concert by the Royal Philharmonic Orchestra is conducted by Yehudi Menuhin, with a programme including Brahms' Second Symphony and Beethoven's First *Piano Concerto, with Jeremy* Menuhin (213213). Sun: Jean-Jacques Kantarow conducts the Auvergne Chamber Orchestra in symphonies by Haydn and Honegger, plus Haydn's D major Cello Concerto played by Antonio Meneses (292511)

■ GOTHENBURG

Konserthus 19.30 Goran Wilson conducts the Gothenburg Symphony Orchestra in Copland's Third Symphony and Mozart's Oboe Concerto, with Marten Larsson, repeated tomorrow at 18.00 (167000)

■ LONDON

THEATRE
● The Cabinet Minister: Maureen Lipman and Derek Nimmo lead the cast in Arthur Wing Pinero's farce, directed by Braham Murray. The play is set in the homes of political wimp and cabinet minister Sir Julian Twombley, and acts as a comic assault on Victorian manners and the English upper class. Opens tonight (Albery, 071-867 1115)
● The Madness of George III: Alan Bennett's new play centres on the deranged mentality of the English monarch, played by Nigel Hawthorne, and a government and heir waiting for his fall. Nicholas Hytner directs this National Theatre production. Starts previewing tonight, Press night next Thursday (Lyttelton, 071-928 2252)
● The Bright and Bold Design: world premiere of Peter Whelan's new play, directed by Bill Alexander for the Royal Shakespeare Company at the Barbican. Katy Behean, Bill McGuirk and Paul Webster head the cast in this tale of conflict between fame, wealth and ideals. Now previewing, Press night next Tues (The Pit, 071-638 8891)
● Death and the Maiden: Ariel Dorfman's South American tale of the consequences of torture. Juliet Stevenson, Bill Patterson and Michael Byrne star in this emotional three-hander. Runs till Nov 30 (Royal Court, 071-730 1745)
● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MUSIC AND DANCE
Covent Garden 19.30 Royal Ballet in choreographies by William Tuckett, Balanchine and Jonathan Burrows. Tomorrow: Simon Boccanegra. Sat: David Bintley's Cyrano (071-240 1066)
Barbican 20.00 Prokofiev Festival: Mstislav Rostropovich conducts the LSO in the Russian Overture and Sixth Symphony, with Itzhak Perlman soloist in the Second Violin Concerto. Sun: Borodin String Quartet plays the First and Second Quartets (071-638 8891)
Royal Festival Hall 19.30 James Blair conducts the Young Musicians Symphony Orchestra in Bruckner's Eighth Symphony and Mozart's Piano Concerto No 21, with Arnaldo Cohen. Tomorrow: Julia Migenes in concert. Sat: Frank Martin's Requiem (071-928 8800)
Coliseum 19.30 Jonathan Miller's production of The Mikado Tomorrow: Graham Vick's production of Le nozze di Figaro. (071-836 3161)

■ NEW YORK

Avery Fisher Hall 20.00 Charles Dutoit conducts the New York Philharmonic Orchestra in Mozart's Symphony No 14, Bartok's Miraculous Mandarin, Ravel's Daphnis et Chloe Suite No 2 and Tchaikovsky's Violin Concerto, with Midori. Repeated on Sat and next Tues. Sun in Avery Fisher Hall: Alicia de Larrocha gives a piano recital. Sun in Alice Tully Hall: Roy Goodman and the Hanover Band (875 5030). Sat in Carnegie Hall: Mariss Jansons conducts the Oslo Philharmonic (247 7800)
New York State Theater 20.00 City Ballet premieres Peter Martins' new ballet set to music by Bach, plus Balanchine's Raymonda Variations and Tarantella. Repertory performances continue daily except Mon till Dec 1 (870 5570)
Metropolitan Opera 20.00 Leopold Hager conducts Cosi fan tutte, with a cast including Carol Vaness, Dolores Ziegler, Frank Lopardo and Siegmund Cowan. Tomorrow: La traviata. Sat afternoon: Aida. Sat evening: L'elisir d'amore with Alfredo Kraus and Kathleen Battle (362 6000)

■ PARIS

Théâtre des Champs-Elysées 20.30 Kent Nagano conducts the Orchestre National de France in Busoni's Berceuse elegiaque, Varèse's Integrales, Arcana and the final scene from Strauss' Salome, with Mechthild Gessendorf. Sat and Sun: Yuri Temirkanov conducts the Leningrad Philharmonic Orchestra (4720 3637)
Palais Garnier 19.30 Opera Ballet in three Jerome Robbins choreographies. Daily till Dec 1, except Mon (4017 3535)
Châtelet 20.30 Broadway production of West Side Story, daily except Mon till Jan 26. Afternoon and evening performances on Sat and Sun (4028 2840)

■ ROME

Teatro Olimpico 21.00 Claudio Scimone conducts I Solisti Veneti in an all-Mozart programme, with James Galway (3234 890)

■ VIENNA

Staatsoper 19.30 Berislav Klobucar conducts Der fliegende Holländer. Tomorrow: La traviata with Edita Gruberova as Violetta. Sat: La forza del destino. Sun: Ulf Schirmer conducts a revival of Katya Kabanova, with a cast led by Nancy Gustafson and Leonie Rysanek (51444 2960)
Musikverein 19.30 Song recital by Francisco Araiza. Tomorrow: Oleg Maisenberg plays piano music by Schubert. Sat and Sun: Isaac Karabtchevsky conducts music by von Einem, Mozart and Dvorak. Sat in **Brahms-Saal**: Schubert Lieder programme with *Hermann Prey and others (505* 8190)
Konzerthaus 19.30 Wien Modern: Peter Burwik conducts the BBC Singers in music by Schnittke and Birtwistle. Tomorrow: Colin Davis conducts the Dresden Staatskapelle. Sat: Murray Perahia plays Mozart, plus a Birtwistle and Messiaen choral concert with the Arnold Schoenberg Choir. Sun: Claudio Abbado conducts the closing concert of this year's Wien Modern (7124 6860)

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0100-0130 Moneyline
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Saving Soviet trade

AUTHORITY has slipped from the old, centralised Soviet state to the inexperienced hands of the republics. Their desire to insulate themselves from the ravages of an inflationary rouble is understandable. But independence is not the same as autarky. If they pursue beggar-my-neighbour policies which threaten a breakdown in internal trade between them they will find that independence is a hollow prize.

Their freedom of action is circumscribed by the specific characteristics of the former all-Union economy. Its predilection for enormous industrial plants meant that one republic often acted as a sole supplier of components or products across the length and breadth of the old Union. This remains the basis of the Soviet economy.

An economy like that is particularly susceptible to disruption if inter-Republican trade breaks down. The pursuit of independence and separate currencies risks just such a breakdown. Once the rouble is replaced by a plethora of republican currencies, of uncertain value, each republic is likely to demand payment in dollars for its exports.

But hard currency is in desperately short supply. For most, if not all republics, the result will be a fall in trade and incomes on a scale which would dwarf that which followed the shift to hard currency trading between the former Comecon countries.

Earning potential

Only three of the successor states – Russia, the Ukraine and possibly the gold-producing Uzbekistan – might have the resources and hard currency earning potential to survive a collapse in intra-republican trade. But even that is doubtful given their commitment to service their share of the old Union's foreign debt. With hard currency and gold reserves nearly exhausted and oil production falling, default or deferral of Soviet debt now seems inevitable.

The scale of the economic collapse that would follow a breakdown in intra-republican trade would far exceed the economic chaos which faced the originators of the Marshall plan as they contemplated ways of helping post-war Europe to re-launch its ravaged economies. At least they had a market structure on which to re-build.

But the post-war experience in western Europe does demonstrate that there is a way to rebuild trade and prevent "Balkanisation" wreaking its full economic damage.

Payments union

What is required is a payments union similar to the post-war European Payments Union. Such an institution would enable individual republics to continue to trade with each other without each transaction involving hard currency payment. Exporters would accept payment in the importers currency and deposit the funds for clearance on a monthly basis. Only the aggregate difference between each republic's total imports and exports would have to be settled in hard currency.

A payments union can only work if there is a clear commitment to cross-border trade by the new republican governments. It will also need considerable expert assistance and financial aid from the west to finance the union while structural reform takes place and until prices have adjusted to international levels.

Such a union is no panacea. It can only complement good economic management and market based reforms. Its operation would be undermined if the new and inexperienced republics succumb to the temptation to finance budget deficits through hyper-inflation.

Without such a payments union it is difficult to see how to prevent fragmentation of the old Union being followed by the collapse of trade. The demise of Comecon has already shown the destabilising potential of the break-up of pre-existing trade linkages. But the three central European states of Czechoslovakia, Hungary and Poland have managed to re-coup part of the sudden loss of the Soviet market by an expansion of trade with the European Community.

There are no such compensating advantages for the Soviet republics. Unless they act soon, and with western support, the internal Soviet experience will be far more serious and de-stabilising.

State finance

BY APPROVING the injection of badly needed new finance into Air France, the European Commission has avoided the near certainty of a bruising political quarrel with the French government – but at the price of continued uncertainty about competition policy.

The decision is consistent with its approval earlier in the year of the Belgian government's decision to put new money into its airline, Sabena, and it conforms with the rules of the market. This is because the Commission has judged the investment against the plans of other companies in the sector, and concluded that by these standards it constitutes a rational financial decision.

Art form

This is not enough. It is true that airline finance is an art form of its own – in the private as well as the public sector – so the fact that Air France has been losing money and is in the middle of a radical restructuring does not necessarily make it a hopeless investment. The trouble is that the Commission's yardstick of a rational investor is far too imprecise.

The criteria used to measure a sensible investment decision by a German bank would be wholly different from those judged appropriate by a financial institution in London – or by a French government anxious about the development of its national flag carrier.

Close scrutiny

Future funding of the airline by the state is going to be subject to close scrutiny, but there must be considerable uncertainty about how this will be applied.

The nub of the issue is familiar: when do state owned companies operating in an internationally competitive sector distort the workings of the single market? To what extent is Air France, with its state shareholder, given an unfair advantage in fighting privately-owned competitors such as British Airways? There are more of these state financing proposals on the way, and greater transparency about how the Commission assesses the implications for competition is required.

Moi's choice

PRESIDENT Daniel arap Moi seems finally to have recognised that there is something rotten in the state of Kenya. Sacking his cabinet minister and old crony Mr Nicholas Biwott at least stands in sharp contrast to the previously adamant and xenophobic rejection of all domestic and international criticism of the way the country has been run.

Mr Biwott stands firmly at the centre of the corruption scandal that surrounds the murder of foreign minister Robert Ouko. His removal from office, together with an earlier modest reshuffle of the Cabinet, suggests that Mr Moi intends to purge the government mafia that has done Kenya so much harm.

Such a recognition will be particularly welcomed by donors attending next week's conference in Paris on aid to Kenya. Corruption has undermined an aid programme worth US$1.6bn in the last two years, prompting the US, Denmark and other donors to cut assistance. This week Germany pointedly withdrew its ambassador from Nairobi.

But the donors will be right to demand that more must be done, on several fronts. There will have to be further sackings if corruption is to be rooted out. The country's economic reform programme, often suborned by vested interests, must be pursued more vigorously. And Mr Moi must respond constructively to the mounting pressure for political reform. He has shifted from an insistence on a one-party state to a recent acknowledgment that Kenya could have a multi-party democracy in two to three years. But these hopeful words must be contrasted with the arbitrary repression of a peaceful political demonstration only last weekend.

The Commonwealth summit last month, which Kenya attended, upheld the virtues of good governance. It is now up to all those present at Harare, including Britain, and others to keep up the pressure on Mr Moi. There is a clear choice before him. He can contribute to the solution or he will be treated as part of the problem.

John Ridding assesses the reform of South Korea's financial system

A tiger by the tail

South Korea is developing its own satellites and is one of only a handful of countries to have produced 16Mbit D-Ram chips, the memory banks of the next generation of consumer electronics. It is the world's second-largest shipbuilder and the sixth-largest maker of electronic goods.

But for all Korea's impressive economic progress – it is now the world's 12th-largest trading nation – its underdeveloped financial system is an anachronism. Stifled by tight government control, it represents the Achilles heel of Korea's economic development.

The government is now implementing a programme of reform. The cornerstone, a six-year, four-stage plan to remove government control of interest rates, is to be implemented from this week. From January next year, the Korean stock market is to be opened to direct foreign investment, while four foreign securities companies have been allowed to establish branches in Seoul.

There is a lot at stake. Successful reform would increase the efficiency of Korea's financial system and enable foreign companies to gain access to the country's lucrative banking and securities markets.

But dismantling the system which has underpinned Korea's development is fraught with difficulty. The government, fearful of destabilising the economy, has opted for a cautious, step-by-step approach. Such a strategy, which may prove unworkable, is prompting growing impatience from trading partners in Europe and the US.

The need for reform springs from several sources:

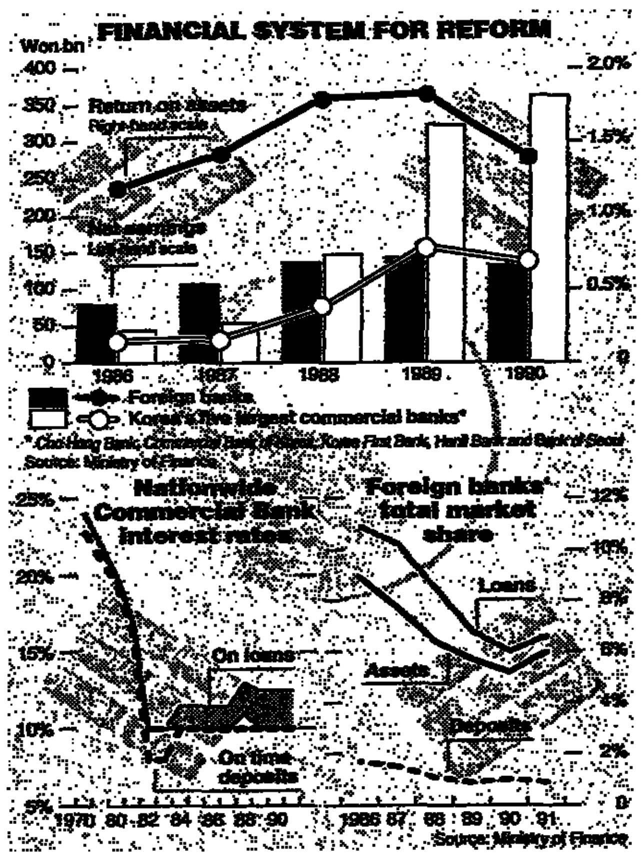
● Korea's commercial banks, guaranteed a fixed spread between deposit and lending rates, are inefficient compared with international rivals and lack expertise in evaluating risks and returns. Their balance sheets are saddled with bad loans and the average return on assets is a mere 0.69 per cent, about half that of foreign banks in Seoul.

Introducing competition through the deregulation of interest rates will increase their efficiency. It will enable the commercial banks to compete with foreign financial institutions and, through reductions in costs, will help cut lending rates to industry. Strong demand for capital has pushed interest rates to 15-20 per cent, more than twice what is paid by Japanese companies.

● Deregulation of interest rates is also a prerequisite for the reduction of curbs on capital flows in and out of Korea. With Korean deposit rates fixed at a level at least 5 percentage points higher than in neighbouring Japan to attract investors, the freeing of capital flows without a prior freeing of interest rates would cause a destabilising influx of capital.

The reduction of restrictions on capital flows is itself necessary to give Korean industry access to relatively cheap international loans. Except for the largest blue chip companies, such as Samsung Electronics, which have been allowed to raise finance on the Euromarkets, most Korean companies are limited to the domestic market.

● The government's control of the money supply is diminishing. With domestically uncompetitive deposit rates, Korea's commercial banks – the institutions through which the government has traditionally managed the supply of credit – have seen their share of financial assets dwindle.



The commercial banks now account for just 35 per cent of total deposits, compared with almost 50 per cent in 1985. They have lost market share to non-bank financial institutions such as short-term finance and insurance companies, to the "kerb" market of informal private borrowing and to speculation in real estate. All are too diverse to control easily.

● Foreign financial institutions – backed by their governments – are demanding increased access to Korea's banking and securities industries. To satisfy their demands, Korea has to remove restrictions on the products and services which can be offered. At the same time, foreign manufacturing companies in Korea are seeking a reduction in foreign exchange restrictions to improve their access to funds.

But at root, reform is being driven by changes at home. The country and its economy have been transformed beyond recognition since the period of spectacular growth that began in the 1960s.

The economy has become too complex for the government successfully to direct loans to strategic industries such as steel and heavy manufacturing. The high cost of finance is an increasing burden when Korean industry is making substantial investment in new machinery and capital goods to try to restore competitiveness in international markets.

"Liberalisation is being pursued not because of pressure from abroad but because of the need to facilitate the economy's development," says Mr Rhee Yong Man, South Korea's finance minister.

Increased domestic pressure for reform has, however, been matched in the international arena. "South Korea clearly lags behind the international consensus on the reform of financial services," said Mr Olin Wethington, assistant US Treasury secretary following financial policy talks in September. Financial issues are springing to the forefront of bilateral trade disputes.

The Korean government is moving gingerly. "There are adverse side-effects of liberalisation," says Mr Rhee. "With the chronic excess demand for money that exists in Korea, speedy deregulation would cause higher interest rates and prompt cost-push inflation."

There is concern, too, about the impact of liberalisation on Korea's financial institutions. In particular, the country's commercial banks, saddled with non-performing loans and bureaucratic management systems, will find it hard to adapt to more competition.

"Financial liberalisation should proceed step by step," says Mr Kim Kun, governor of the Bank of Korea. He adds that "major macroeconomic variables such as inflation and the balance of payments must first be stabilised."

The various plans announced so far reflect such caution. The first stage of interest rate deregulation is to be implemented from today. It includes the liberalisation of interest rates on corporate bonds and time deposits with maturities of more than three years, but will affect just 10 per cent of total bank deposits and loans. The timing for completion of the final stage, which includes the deregulation of the shortest-term demand deposit rates, is open-ended.

The opening of the stock market is being handled in a similarly cautious manner. Foreign investors will be limited to holding a maximum of 10 per cent of the shares in Korean companies after the exchange opens to them in January.

Despite their anxieties about the impact of liberalisation and the conservative timetable of reform, Korean officials are adamant that the process is firmly on track.

"We are past the point of no return," says Mr Kim Kun. "The current schedule may be brought forward," says Minister Rhee. "There is no possibility that it will be prolonged."

But trading partners will need to be convinced. After all, with inflation of about 10 per cent and a current account deficit already in excess of $10bn so far this year, Korea's economic situation is worse than in 1989 when a previous attempt to deregulate interest rates was aborted because of economic conditions.

More importantly, a step-by-step approach to reform may prove unworkable. "It will just introduce more distortions," says an economist at a Seoul University. "They may be better off just doing it all at one go – a sort of big bang."

Not surprisingly, officials at the Ministry of Finance believe that would be too risky. "This is not an academic exercise," says Mr Oum Bong Sung, counsellor to the minister of finance. "We should never gamble or take risks with economic management."

With the plan for interest rate deregulation structured as it is, however, the government may find itself being left behind by market forces. This is because the freeing of long-term deposit rates first is likely to attract a large flow of capital to these accounts. Funding costs of banks will then increase sharply, short-term financing for companies will be squeezed even tighter and the government will find itself under pressure to accelerate deregulation of all interest rates.

"I believe liberalisation will come faster than anyone expects," says Mr Kim Mahn Jae, finance minister in the 1980s and now chairman of Samsung Life Insurance, Korea's largest company. "The government may find it has a tiger by the tail."

Mr Kim's logic may be right. But if faced with the prospect of instability in financial markets and a shock to the economy, the Korean government will be tempted to maintain its financial controls and keep the tiger of reform in its cage.

BOOK REVIEW

Coup in search of a plot

A Conservative Coup: The Fall of Margaret Thatcher
By Alan Watkins
Duckworth, 229 pages, £14.99

In case you didn't know, this is Mrs Margaret Thatcher's Downfall Anniversary Week. It has been somewhat overshadowed by the release of Mr Terry Waite, who missed the former prime minister's third and final term of office. Had he been cut off from all radio contact he might have arrived back in England as Rip Van Waite, unable to believe that the great Mrs Thatcher had been deposed by her own people, to be replaced by someone he would be forgiven for not quite having heard of when he was taken hostage.

He would be justified in such disbelief. The way people are carrying on about Mrs Thatcher's role, or non-role, in this week's debate on Britain's approach to the Maastricht summit, you might think, if you'd been away and just come back, that she was still in charge.

There is, however, some catch-up reading that might help. As I recall it, Edward Pearce was quickest off the mark in the late spring, when he produced a subtle biography based on inevitably thin material (The Quiet Rise of John Major, Weidenfeld, £14.99). There is also Robert Shepherd's The Power Brokers: The Tory Party and its Leaders, Hutchinson, £17.99, which reads easy yet does not fail to put the story in a proper context. Bruce Anderson's 324-page John Major – The Making of the Prime Minister, published in June by 4th Estate at £16.99, provides a participant's detailed account of the events leading up to and surrounding the great defenestration. It also offers us a minor hagiography of Mr Major.

The masterwork – so far – is Hugo Young's One of Us, just issued in an updated "final" version by Macmillan at £17.50. Does Macmillan do trade-ins? The extra 55p since the penultimate version is well worth paying for a rewritten introduction and three extra chapters describing the fall of the subject of his biography.

With so many products on the market everyone naturally seeks an angle, an exclusive insight, a unique selling point. The difficulty is that on the evidence available to date there is no such thing. Mrs Thatcher was booted out because her time was up. She was deeply unpopular. The Labour party was on the rampage. She had become a liability to the Conservatives. Her "flagship", the poll tax, was sinking the Tory's entire navy. Ordinary MPs saw themselves losing their seats at the next election. Without her, there might be some be hope. These historic forces were the determinants. The great stars of the drama – Howe, Heseltine, Thatcher, Major et al – were mere pawns in the hands of something fate had made up its mind to do. End of story.

Or so it should be, and doubtless will be when proper historians look back from a longer perspective. Meanwhile we have Alan Watkins's attempt to make a pattern out of it. Not able to furnish evidence for a genuine plot, he takes refuge in the word "coup", even qualifying it with "Conservative". Was there really such a thing as a coup? Did the energy secretary, Mr John Wakeham, ostensibly a most loyal supporter, really collude with Mr Kenneth Clarke, the education secretary, and Mr John Selwyn Gummer, the minister for agriculture, before the fateful ballot on the leadership? Did they agree that she was "not going to make it" and that therefore she should be dissuaded from going forward to a second ballot? Watkins, whose account is based on many interviews, states that they did. The allegation has been denied by the participants.

We shall never know the truth of this entire affair. Today is the very anniversary of the breathless Wednesday on which Mrs Thatcher was led – by Mr Wakeham – to allow her ministers to troop in one by one and tell her that the game was up. There is plenty of evidence of what this or that minister said, in the form of statements, public and private, given by the participants to various writers, including Watkins. But all are interested parties; none will gain any advantage by telling the story in its entirety, even if any one could.

The Wednesday shuffle was merely one event. Many others preceded it. Many secrets remain buried. The unrecorded telephone calls, the body language at this or that meeting, the quiet drink in a private house, the nods and the winks – all these are unavailable, even to the instant historian, even in this electronic age.

Watkins does his best to surmount these insurmountable odds. His prose style, familiar to readers of The Observer, is velvety, with the slightest hint of diluted acid. The words slip down comfortably; there are plenty of jokes, although not enough good ones. He has a scholar's fondness for precision, a magpie's for curious facts, a literary man's for providing a proper index and a bibliography. The chapter on previous contests for the Tory leadership is a goldmine for all future writers on the topic; the appendix, listing declared supporters of Mr Michael Heseltine, Mr Douglas Hurd and Mr John Major, is still intriguing. Who now recalls that the present secretaries for education, health, defence, and transport – not to mention the chairman of the party – were all in the Hurd camp?

Joe Rogaly

OBSERVER

In the pipeline

■ Finance directors come and go, but British Gas's search for a replacement for recently departed Alan Sutcliffe is being watched with unusual interest by the City. Will the unloved dinosaur, Britain's fifth biggest business, do the unthinkable and hire a new finance chief from outside?

Such a move could do wonders for the company's image. While it may be stuffed full of expert gas-men, including some wonderful engineers, it would be the better for a leavening of other elements high in the pipe.

Finding a prominent finance director able to build bridges with the City and politicians could be a useful advance. For instance, it is doubtful that British Gas's present top team would be nimble and confident enough to pop in a bid for Ultramar.

Beyond that there is the much bigger question of whether it is necessary for the company to have a gas-man as its ultimate boss. At 64, Bob Evans, the current chairman and chief executive, has another two and a half years to go before his contract expires. The City is already starting to question whether the job should be handed over to Cedric Brown, the 56-year-old heir apparent and gas-man through and through.

Perhaps British Gas should swallow its pride and try to capture one of BP's bright sparks, such as David Simon or John Browne.

Outposts out

■ The last outbreak of militancy at Germany's well endowed culture-spreader, the Goethe Institute, was 20 years ago. Staff went on strike for half an hour. But all the institute's European outposts will be stopped for eight times as long on Friday, thanks to its decision to cease giving German-type employment conditions to staff in other countries, and hire them on local terms.

In many of the offshoots, the result is a sharp deterioration in the quality of life. For instance, whereas the London representatives formerly enjoyed eight weeks holiday a year, they'll be lucky to get half as much from now on.

The staff's main complaint, however, is that the institute has sprung the new work rules on them by force, without consulting their union beforehand and in spite of its representations since.

Force-sprung work technique, as Goethe might have said.

Out of sink

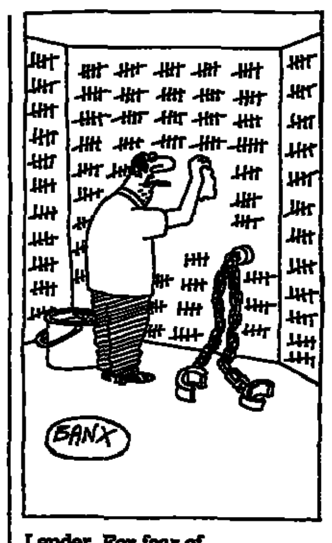
■ Well done, Spring Ram. By requiring Francis Galvin, chief executive of the group's important kitchen division, to serve out his notice, it has proved that directors' service contracts are not as one-sided as they often seem.

There are tales a-plenty of directors awarding themselves multi-year service contracts and then insisting on hefty pay-offs when they are broken. If directors sign service contracts they should be made to honour them. Pity there are not more companies with Spring Ram's Yorkshire grit.

Lost voice

■ A cry for help from the organisers of Funny Money, the jolly annual revue where City types raise cash for charity. One of the stars from TSB's Hill Samuel has suddenly developed a rather specific form of stage fright.

There is no way – repeat no way! – that he is going to perform that old Shirley Bassey favourite, Hey Big



Lender. For fear of jeopardising his upward mobility, he will do only seasonal numbers such as When Swapherds Watched Their Stocks By Night.

With only 10 days to go before the curtain rises at London's Adelphi theatre on December 1, the search is on for a replacement. A clearing banker would be preferred, in the interests of authenticity. Tickets, a snip at £15 apiece, can be reserved through First Call on 071 240 7200.

Optimist

■ "The next 10 years will be the most prosperous in world history." That is the optimistic view of Sir John Templeton, 78-year-old doyen of the US fund management industry, in London to meet fellow trustees of the Westminster Abbey Trust which is raising funds for restoration work.

Templeton believes that the scale of scientific development, the decline of communism and the end of the Cold War, all augur well for mankind. He expects the world standard of living to quadruple over the next 40 years or so.

His pronouncements may have a rather grandiose air but in the US, Templeton achieved guru status through his decision to move funds into the Tokyo market in the 1960s, when price-earnings ratios were just 4. He missed out on some of the gains when he quit the Japanese market in the mid-1980s, although that decision looks a lot better in retrospect. Currently, he seems fairly bullish about the US where he thinks there is an even chance the Dow Jones Average could reach 6,000 by the end of the decade.

Despite his "kindly grandfather" manner, Templeton has yet to master the peculiarly British art of self-deprecation. A brochure for his books announces one volume as "The Humble Approach; by John Templeton, one of the most successful financiers and investment advisers of the 20th century."

Home stretch

■ Evidently feeling that popularity as well as charity begins at home, troubled President Bush this week tackled the question of what his administration has achieved on the home front. Well, he said, there was clean air legislation, child care initiatives, protection for the disabled... and....

Even cynics in the audience were surprised by what he named next. It was the Gulf War – "a matter that may not fall strictly within the arena of domestic policy," he conceded, but one that "did show just what Americans can do when they decide to move."

Body blow

■ "How did you kill it?", the game warden asked the pigmy standing by the corpse of a huge elephant. "With my club," the pigmy said.

"You must have a big club," the warden observed.

"No – only about 50 of us," came the reply.

ECONOMIC VIEWPOINT

Let fools contend about the forms

By Samuel Brittan

The British political and business classes have been victims of a self-imposed confidence trick. They have allowed themselves to believe that the European Community is mainly concerned with free trade and economic co-operation, and that political union has suddenly been sprung on them by other member countries.

They have no excuse other than wishful thinking. The first sentence of the 1957 Rome Treaty speaks of "an ever closer union among the people of Europe". To remove any ambiguity, the first Commission president, the formidable German jurist Walter Hallstein, used to repeat: "The Community is in politics, not business."

The Single Market Act of 1987, signed by Margaret Thatcher, not only recalls that the objective of Economic and Monetary Union was accepted at a Euro Summit as long ago as 1972. Its preamble starts off with the aim of "transforming relations among states into a European Union in accordance with the solemn declaration of Stuttgart on June 19, 1983."

Where the Euro-enthusiasts have not played fair is in their failure to state clearly why a European political union of any kind is so important. It would help to have a complete ban on *transport* metaphors such as catching trains, missing buses, and being left behind at the post.

On political union, it would help to have a complete ban on transport metaphors such as catching trains, missing buses

The poet Alexander Pope once wrote: *"For forms of government, let fools contend/Whate'r is best administered is best."*

This quotation puts too much weight on the question-begging word "administration"; but it does make the point that governments are workaday organisations to provide those services which are better secured by collective action than by either the profit motive or by voluntary co-operation. The Eurofederalists and the nationalists have in common a hang-up over state power. But if we have a utilitarian attitude to government we shall neither worry about the shedding of national sovereignty, nor actually desire to do so just for the fun of creating new institutions.

The original European motive was stated most explicitly in relation to the Coal and Steel Community, the earliest of all the Community organisations. It was to make it impossible for France and Germany to go to war again. Its 1951 preamble talks of "peoples long divided by bloody conflicts ... establishing a destiny *henceforth shared.*"

Until the Berlin Wall came down in 1989 one might have said that this motive was noble, but out-of-date. Since then, some people have revived fears of the power of a united Germany. Those who share these fears have responded in diametrically different ways. Mrs. Thatcher became more suspicious of everything to do with the Community, while President Mitterrand wants to bind Germany more firmly into a Community structure.

Nevertheless, the existing Community has become quite unsuitable for containing Germany, if that is seen as a need. The threats to Continental stability which might involve Germany stem from the central and eastern parts of Europe. The Inter-Governmental Conference on Political Union, concerned with strengthening links among the existing Twelve, has become obsolete, as some of the shrewder foreign ministry officials attending it realise. Unfortunately, their governments were too committed to call the whole thing off, as they should have done. Despite the slogan "There is no conflict between widening and deepening the Community" we know that there is.

Enlargement is, however, very tricky territory for proponents of a wider Europe including the former communist countries. For there is no way a community of 20 or 30 states can function without some qualified majority voting. The solution is to make such voting acceptable by limiting the functions of a European authority to those of a 19th-century night-watchman state.

A completely different motive for European political union is the desire of declining powers such as the UK to play a role on the world stage. In Britain it has come to the surface whenever the spuriousness of the "special relationship" with the US has become apparent. But it is not self-evident that such a world role is desirable or will be exercised for good purposes. I have no desire to create a larger stage for the British Foreign Office to declare its disinterest in slaughter and atrocity in the former Yugoslav federation, and pursue its obsession with the Middle East.

Yet another motive is the Big Business one. We are told that only large political units can afford to back industries such as aerospace and advanced electronics. There is no evidence of a link between national size and prosperity. Whether one thinks of income per head, or rates of growth, some of the most thriving countries such as Switzerland, Singapore or Taiwan, have been of modest size, and outside the main blocs. The interests of large flagship companies that depend on state support are not necessarily those of the citizen or consumer. It is no accident that the British Labour party, which still sees the state as a source of economic growth, is now keener to see a European super-government than those who see the main streams of growth in the discovery processes of the market.

There is a more modest case to be made that a large single market is neither sufficient nor necessary, but at least helpful, to economic prosperity. Moreover, such a market will more successful if it goes beyond dismantling tariff barriers to common action on state aids or monopolies which distort competition, and if a single non-inflationary currency prevails. These conditions require a degree of supranational power. Under the 1987 Single European Act, accepted by Mrs Thatcher in her prime, issue after issue is decided by varying forms of qualified majority. And rightly so. For a single market can hardly function if each country can protect its own producer privileges by veto.

There is also a defensive case to be made that the UK might suffer – particularly in terms of inward overseas investment and the earnings of the City of London – if a single currency were established on the continent with Britain outside. It might therefore be worth accepting sacrifices in other areas to take part.

In an article on this page three weeks ago, I suggested that the real enemy in the European Community negotiations was not federalism but centralisation, and that national sovereignty was a thoroughly mistaken banner under which to fight. Moreover, I fear that economic commentators such as myself have been fobbed off until almost the last moment into writing articles and giving lectures on Economic and Monetary Union when the real threat to a liberal free market order comes not from Emu – which is thoroughly sensible – but from the economic and social moves which have been attempted in the political inter-governmental conference.

Meanwhile the battle against harmful *dirigiste* interference has to be fought in a peculiar way. For the foreign ministry types in Brussels are not arguing about whether hours of work or environmental standards in roads or railways *need* to be harmonised in a Single Market; the issues are being argued through the back door of Community competence and decision rules; for example, when majority voting can be used or the European parliament can initiate proposals.

The Maastricht summit is unlikely to be a victory either for a free market, limited Europe or for a so-called "social Europe". It is more likely to be a mass of small print about competence and voting rules, the meaning of which will take many years, and a good few court actions, to discover. If there were a referendum on a single currency, I would vote "yes". But if there were an earlier referendum on Maastricht, I would be quite inclined to vote "no", thus depriving me of the chance of a larger "yes". Thus it might be two "yeses".

The true dividing lines are between different ideas on the role of the state rather than between countries or between federalists and nationalists.

PERSONAL VIEW

Why the west holds the Soviet key

By Alexei Pankin

For more than seven decades the people of the Soviet Union have been ruled by a concentration of power in Moscow.

The national capital – or centre – kept both republics and the people in line by exercising huge influence over the distribution of all resources: local bosses went to Moscow to beg for funds and privileges for themselves and their territories; ordinary people shopped there for food and consumer goods which were scarce in the provinces; the ambitious sought to live and work there.

Hardly surprisingly, Moscow became a symbol of all that was rotten with the country. During the years of perestroika, the "centre" became a convenient scapegoat for opposition criticism. There was hardly an opposition leader who did not use the bogey of the "hand of Moscow" to rally mass support.

But Moscow's rule is over. It no longer controls economic and military resources. The republics have become assertive – some have become independent – and today continue to blame the centre for all the old and new problems.

Yet, the decline in Moscow's influence has not led to the rise of a responsible class of political leaders in those republics remaining within the union.

Today, politics within and between the republics is little more than a clash of personal ambitions and a search for and invention of new enemies. Petty squabbles pass for political debate in the republican capitals.

Having won increasing degrees of self-rule, the republics' leaders and its people are in a political vacuum. This huge, and unexpected, void means that, ironically, they still long for orders from above. So what alternatives do they have? The following have emerged:

● First, the strongest choice is the west. Soviet and republican politicians are increasing turning to the west for assistance, credits, funds, etc. Of no less importance is the fact that western leaders enjoy more trust among the Soviet public than any ex or current Soviet statesman can dream of. This means one simple thing: the west holds the key to the future of the Soviet Union, and the former superpower will become exactly what the west wants it to become.

The west, while assuming *de facto* through its efforts to assist the Soviet Union economically the traditional functions of the centre, will nevertheless shy away from openly recognising its new role. This is because western leaders believe the Soviet people must settle their domestic affairs themselves; the west would thus respect the will of the people and support democratic reforms.

For the Soviet people, this is wishful thinking. Today, there are no responsible organised political forces able to stabilise the situation in the country as a whole or in the republics. Its people are confused: they are rejecting what they dreamed of yesterday, and tomorrow they will be regretting things that they are doing today.

The west, by limiting itself to the role of an outside observer and adviser, faces a very difficult choice – either to support self-determination for the republics, or to help in the formation of a market economy. It is clear that erecting borders between republics and replacing one bad central government with several bad republican administrations is hardly conducive to the creation of a market economy.

So, instead of making solemn pronouncements about respecting the people's choice, western leaders ought to decide for themselves what is more in their interest – a single, unified state or several new national-states, and then firmly and resolutely dictate its conditions for continuing support.

This is all the more important because the future of the west mirrors that of the Soviet Union. The survival of the Union would require an integrated approach from the west, while the west's support for the republics would sorely test its political and diplomatic mechanisms.

Yugoslavia is a good case in point. It provides one general lesson: multinational socialist federations do not disintegrate peacefully, bloodlessly and without consequences for the outside world. It was interesting to observe how, when Germany and Austria supported Croatia and Slovenia, the spectre soon emerged of a Catholic bloc in Europe, and Britain soon began to express sympathy for Serbia.

● Second, and possibly the worst scenario, is the Russian republic regarding itself as the heir to the Soviet legacy. No matter how much admiration the Russian president Mr Boris Yeltsin has earned for his role in suppressing the August putsch, none of the Soviet republics wants to see Russia emerge as the new "centre".

● The third option is the Union itself. Internationally, the benefit of maintaining a single, unified Soviet state is that it will prevent the multiplication of actors in world politics; domestically, the "centre", as a non-national institution, is best suited for a role as a co-ordinator and intermediary between the republics. This scenario would require the emergence of a new form of central authority, a work of colossal complexity.

Is the western world ready to meet the challenge? Unfortunately, I see few hopeful signs. Although the west almost openly admits that the situation in the Soviet Union is frightening, it is not even trying to analyse the role that its policies have played in unleashing the chain of events that led to the August coup.

It remains to be seen whether the west would be capable of meeting the historic task that has unexpectedly fallen on its shoulders – namely, to make the Soviet Union into a society safe for itself and for the outside world.

The author is deputy editor of Mezhdunarodnay Zhizn, a Soviet journal

LETTERS

Shareholders and threats of controlled utilities

From Mr Roy Watts.

Sir, Gordon Brown has said in the House of Commons that a future Labour government would give powers to the regulators of privatised utilities to control dividends and profits and curb boardroom "excesses". Perhaps you will allow me to comment.

Gordon Brown selectively argues that only Italy has higher water price rises than the UK. He fails to point out, however, that the UK water customer enjoys one of the lowest water bills in the industrialised world as well as one of the highest standards of water quality. Nor does he acknowledge that a principal purpose of current water price rises and consequent water profits is to finance a £30bn capital programme which addresses new legally enforceable standards, as well as making up for a long-term failure to invest in the industry, including in times of a Labour administration.

Of course, Mr Brown *searches for votes*. But he should be careful. My company has more than 300,000 individual shareholders, a number one can multiply several times across the privatised utilities. They must all be reflecting that the future scenario Gordon Brown describes bears little relation to the prospectus on which they bought shares.

Roy Watts,
chairman,
Thames Water,
14 Cavendish Place,
London W1

A 'nod and a wink' should have saved local authorities from loss

From Mr Kenneth A Mitchell.

Sir, Your series of articles on BCCI was most penetrating and made fascinating reading. But did local authorities have to lose?

Most people are aware of the "nods and winks" of city communication. It seems inconceivable that the Bank of England did not become aware of the suspicions and innuendos circulating in recent years.

There is in existence, I remember reading somewhere, a list circulated to local authorities giving names of banks and other deposit-taking institutions with which, obviously without commitment of the publisher, they would appear to be safe in entrusting their funds at various rates of interest. The Bank of England is that publisher.

On the basis of "nods and winks", surely it would have been possible for the publisher quietly to have deleted the BCCI name from the next issue of that list, without causing a lot of fuss? I suppose names are added and deleted from time to time.

No doubt closing BCCI was inevitable – but in my opinion The Old Lady of Threadneedle Street has a lot to answer for...

Kenneth A Mitchell,
Henley Consulting Group,
1 Back Lane,
Henley-in-Arden,
West Midlands

BTR and Hawker Siddeley: the headquarters teams hold the key

From Mr Andrew Campbell.

Sir, Hawker Siddeley's defence document fails to address the critical issue facing shareholders – why are Alan Watkins and the members of his headquarters team a better parent company for the three businesses they want to keep than Alan Jackson and his team.

A headquarters team can only justify keeping businesses if it believes it can add more to the businesses than any other parent company.

Alan Watkins has recognised that 60 per cent of his businesses would perform better as part of other groups. But he has not explained why the remaining three businesses will perform better under his management than under the BTR approach.

BTR's management philosophy is well documented and was previously debated during the Pilkington bid.

Hawker's philosophy is unknown and the defence document gives no useful information on the subject. Is this silence significant?

Andrew Campbell,
director,
Ashridge Strategic Management Centre,
17 Portland Place,
London W1N 3AF

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Stability, or otherwise, during the era of the Gold Standard

From Mr Z Schloss.

Sir, I applaud Samuel Brittan's exposition (Economic Viewpoint, November 14) of the merits of a more flexible approach to short-run stability of the price level. He points out that this worked during the pre-1914 Gold Standard era, because everyone knew that "neither inflationary nor deflationary moves would get out of hand". It would be interesting to know the basis for this faith in long-term price stability in those times.

I believe convertibility ensured that creation of credit could not outrun by much real resources needed for its repayment. Whenever it threatened to do so it would be restrained by one of Schumpeter's "gales of creative destruction". It seems doubtful that this feature of the Gold Standard would be voluntarily accepted in any modern guise.

Z Schloss,
49 Dorset Drive,
Edgware, Middlesex HA8 7NT

From Mr Shaun Stewart.

Sir, The charts used by Mr Samuel Brittan in his article, "Stability versus *animal* spirits" (November 14), are as misleading as the conclusions he draws from them.

Yes, the cost of living was the same in 1874 as in 1855, but that does not mean that prices were stable under the Gold Standard. They weren't. The 1888 Report of the Royal Commission on Gold and Silver shows that prices rose by 36 per cent in 1849-55 and fell by 20 per cent in 1874-85. The 10-year moving average fell unchecked by 12 per cent in the seven years 1837-46 to 1843-52, rose unchecked by 22 per cent in the 11 years 1843-52 to 1854-63, and fell unchecked by 20 per cent in the 12 years 1865-74 to 1877-86. They fell for a decade after that.

The reality is that prior to 1914 "scarcely anyone considered that the price level could or ought to be the care and preoccupation, far less a main objective of policy, of a central bank." That was fortunately a view from which the Macmillan Committee and the government elected in 1931 did not dissent, enabling the monetarist ratchet of dear money and an overvalued exchange rate to be reversed in 1932-33 by entrusting the management of the newly-created Exchange Equalisation Account to the Treasury and not to the banker's Bank.

The supply side responded immediately. Manufacturing output rose in 1932-37 by 58 per cent to 38 per cent above the 1929 peak. New jobs – 2.2m of them – were created, half in manufacturing. Unemployment fell by half.

The lesson to be learnt by patently ill-advised politicians is not what Mr Brittan would have them believe. It is that, as Ricardo once said, the economic laws which regulate the flow of money nationally and internationally are no different from those which regulate other commodities.

The ERM in defying those laws has brought disaster to its founder-members in terms of output and employment. It is now doing the same to us. Emu can only make things worse.

That was foreseen by Labour in its two-year policy review which rejected Emu and accepted ERM only on terms which would, *inter alia*, enable "the pound to enter at a rate and conditions which ensured that British goods became and remained competitive". The record of the Wilson government and of the French socialists show that "supply-side" policies as an alternative to devaluation can only add to the nation's difficulties. The reason why is that those policies, like others before them, confuse cause and effect.

Shaun Stewart,
treasurer,
Labour Economic Policy Group,
72 Albert Street,
London NW1

FINANCIAL TIMES
Thursday November 21 1991

Texas, Hitachi form joint chip venture

By Steven Butler and Robert Thomson in Tokyo and Michael Skapinker in London

TEXAS INSTRUMENTS of the US and Hitachi of Japan are to develop jointly an advanced memory chip containing 143m transistors and capable of storing 2,800 pages of text.

The agreement to develop the 64 megabit dynamic random access memory (D-Ram) chip follows the creation of a similar alliance between IBM of the US and Siemens of Germany.

Development of increasingly narrow circuits enables manufacturers to pack more functions on chips, allowing them to produce more compact and powerful electronic products.

The willingness of large semiconductor manufacturers to co-operate with competitors from different countries is a reflection of the huge cost of developing new generations of chips. This can run to hundreds of millions of dollars.

The 64 megabit D-Ram is capable of holding 16 times as much information as the memory chips in use today.

The deal between Texas Instruments and Hitachi is also politically significant. The US government has been applying strong pressure for greater participation of US companies in the Japanese market.

Earlier this year NEC of Japan and AT&T Microelectronics of the US signed an agreement for the joint development of technology needed for advanced memory chips.

A broad range of co-operative agreements between US and Japanese semiconductor makers has recently been concluded, partly as a response to Japanese fears over trade friction with the US.

The Hitachi-Texas Instruments deal, which will run for 10 years, calls for the two companies to form joint design teams in Japan to be operated under a combined management structure.

Joint pilot production of the chips is envisaged, although the two companies will handle volume production and marketing separately. Shipment of sample chips is expected to begin around 1994.

The agreement follows earlier co-operation between the two companies on the development of the 16 megabit D-Ram, although this deal was restricted to the sharing of information.

The two companies will jointly develop the design and manufacturing process for the 64 megabit chip.

The circuits on each chip will be as narrow as 0.35 microns, or 0.35 millionths of a metre wide. A human hair is 75 microns wide.

AT&T had earlier estimated that the development of 0.35 micron technology could cost up to half a billion dollars.

The two companies have agreed to grant each other patent licences for the 64 megabit D-Ram. Hitachi is also to receive a licence for Texas Instrument's Kilby patent, named after a co-inventor of the integrated circuit, Mr Jack Kilby.

The applicability of the patent in Japan is being disputed by Fujitsu, the Japanese computer company.

Hitachi, however, made clear yesterday that its recognition of the Kilby patent in this case did not represent an unqualified acceptance of Texas Instruments's claim that the patent is broadly applicable in Japan.

Diplomats say economic threat against republics will not end war

UN urged on Yugoslav sanctions

By Laura Silber in Belgrade and Judy Dempsey and David Owen in London

THE THREE European Community members of the UN Security Council – Britain, France and Belgium – agreed yesterday to press for sanctions against the Yugoslav republics.

Mr Douglas Hurd, UK foreign secretary, told the House of Commons that these would include an oil ban.

However, western diplomats said the sanctions threat would not end the civil war in Croatia. They believed the army and Serb reservists would follow up their capture of Vukovar by trying to take the eastern city of Osijek, as well as towns north of Dubrovnik.

Croatian radio said two people had been killed and seven wounded in Osijek and surrounding villages yesterday during an artillery attack by the army.

"There will be no let-up until Serbia consolidates its control over parts of Croatia, and in Bosnia-Hercegovina," said a diplomat. "This means that no UN peace-keeping forces will be sent into the republic until there is a lasting ceasefire."

Diplomats estimate about 1,000 people died in the three-month battle for Vukovar. Tanjug, the Belgrade news agency, reported that 2,000 Croat soldiers and policemen had been captured and about 7,000 civilians evacuated since Tuesday.

In addition, 420 wounded, including children, and 400 civilians who had sought refuge in Vukovar's hospital, had been evacuated under EC and Red Cross supervision.

Most of the town's 50,000 inhabitants have now left what is just a heap of rubble. The town has already been "claimed" by Mr Goran Hadzic, a leader of the Serbs from eastern Croatia. It would be capital of the self-proclaimed Serbian autonomous region, he said last weekend.

The remains of a wooden house in Pokuplje, a Croatian village shelled by the army

The surrender of Vukovar is likely to harden the Croatian government's resolve to pour military supplies into Osijek and Vinkovci, diplomats and Croatian officials said.

"We expect peace-keeping troops to be sent in soon," said Mr Mario Nobilo, an adviser to President Franjo Tudjman. "But if they do not come in, we will continue fighting to defend ourselves against the army."

A western defence attaché yesterday said Croatia's military doctrine now included the possibility of guerrilla warfare.

Mr Nobilo did not believe the army would try to take Osijek immediately. "It is too big. But the army will keep trying to gain control of Gospic and other towns on the coast."

More grisly reports of massacres of civilians emerged from both sides in the fighting which has already claimed at least 2,500 lives since June 25. The federal army accused Croatia's national guard of killing 41 children in a village infant school at the weekend as they fled from advancing army forces.

The propaganda from both Croatia and Serbia has made it almost impossible to know who is speaking the truth.

Yeltsin steps on to German stage

By Quentin Peel in Bonn

RUSSIA and Germany will today take the first steps towards establishing the post-Soviet balance of power in eastern Europe, when Mr Boris Yeltsin, the Russian president, arrives in Bonn.

The Russian president's first visit to the outside world since he faced down the attempted coup in Moscow in August seems condemned to have more ceremony than substance. Yet the ceremony is still crucial to his efforts to build up Russia as the new centre of power in the Soviet Union.

On the one hand, the Russian leader will be treated as a head of state on a working visit, with a full guard of honour when he meets Chancellor Helmut Kohl. On the other, nothing will be signed of legally binding substance (because Russia does not yet enjoy diplomatic recognition). The two sides will simply publish joint declarations providing assurances of future co-operation on both foreign policy and the economy.

If the Russians arrive with a long list of requests – which is still unclear, although they are not expected to ask for outright government credits – the Germans will be embarrassed because they have little to offer.

Mr Kohl feels his government is already overexposed in the Soviet Union, with outstanding insured export credits of DM24bn ($14.6bn) on top of debts owing to the former East Germany, and some DM12bn in payments to house the returning Soviet troops.

Mr Yeltsin will meet President Richard von Weizsäcker, Mrs Rita Süssmuth, the president of the Bundestag, and the leaders of the main political parties. He will also see Mr Johannes Rau, prime minister of North Rhine-Westfalia, the German Land still technically twinned with Russia. He will visit Baden-Wurttemberg in the south, and Sachsen-Anhalt in the east, before returning to Moscow on Saturday.

The visit is seen in Germany as the first important step in the future bilateral relationship of the two powers which will inevitably dominate central and eastern Europe. "It is like a political kick-off at the beginning of the bilateral match," according to one senior official. "It would be wrong to go for much more at this stage."

The Russian desire for increasing economic relations will be translated into a meeting with businessmen in Cologne, at which Mr Yegor Gaidar, Mr Yeltsin's new economic supremo, is expected to detail Russia's latest economic plans.

Mr Yeltsin's hope, however, to have German export credit guarantees granted directly to Russia, and not through the medium of the Soviet Vneshekonombank, seems unlikely to be met until the German side has more details of Russia's foreign currency reserves and foreign currency earnings.

Both sides will also attempt to deal with the two biggest bones of political contention. The Russian leader has already expressed his own readiness to return Mr Erich Honecker, the former East German communist leader, to face trial in Germany, but his legal position between the Soviet Union and Russia remains unclear.

The other question is the future of the Volga German community in Russia. Mr Yeltsin will repeat his promise to re-establish an autonomous Volga German region, although not precisely within the borders abolished by Stalin in the Second World War.

What is seen as essential in German eyes is a clear commitment by Russia to honour the obligations of the Soviet Union, both on debts and on all security treaties. "That is a precondition for any joint declaration," according to a German diplomat.

The two sides will call for closer co-operation in areas such as transport, storage, and agriculture, and the Germans will urge greater involvement of western companies in reviving the Soviet oil and gas industries. No one expects, however, that there will be real money on the table.

More Soviet news, Page 3

Japanese soccer wins Lineker's services

By Jane Fuller in London and Robert Thomson in Tokyo

JAPAN increased its striking force in world soccer yesterday when Gary Lineker, the England captain and highest scorer in the English first division, agreed to join Nagoya Grampus Eight, a team named after the Japanese city's golden dolphin symbol and including a lucky number.

Nagoya will be part of a new 10-team Japanese professional soccer league that will kick off in March 1993. Japan hopes the league will be successful enough for the country to put in a competitive bid to host the 2002 World Cup.

Mr Lineker's departure will, however, do little to ease debts at Tottenham Hotspur, the north London soccer club which bought him from the Spanish club Barcelona for £1.1m ($1.9m) in 1989.

Mr Terry Venables, the chief executive who with Amstrad chairman Mr Alan Sugar owns more than 60 per cent of the shares, said Tottenham would get less than £1m from Nagoya. An Italian club had offered twice as much, but Mr Lineker had chosen to go to Japan.

Mr Lineker, who will be 31 next week, has signed a two-year contract starting in early 1993.

Nagoya is backed by the Toyota Motor Corporation and 19 other shareholders, among them Toyota subsidiaries, the Nagoya and Tokai banks, Nagoya railway and the Chubu electric power generating company.

They have put in an initial Y400m ($3.1m) but much more will have to be spent. The shopping list includes a new 15,000-seater stadium near the city centre, as well as Mr Lineker's undisclosed salary and benefits.

Mr Christian Flood, director of CFCF & Associates, a UK marketing consultancy specialising in work for Japanese companies, said Mr Lineker was the first current international star to be signed by any of the league's 10 teams.

Other overseas players secured so far include Zico, the former Brazilian international who will turn 40 during the 1993 season.

Diego Maradona had been at the top of several shopping lists, but recent controversies surrounding the Argentine star prompted the image-conscious companies sponsoring the league to leave him on the sidelines.

Mr Flood said another early suggestion was Mr Lineker's more rumbustious Spurs and England team-mate Paul Gascoigne – bound for Lazio in Italy if his knee injury heals as planned. "But it was realised that he and Maradona would have been wrong for the Japanese league, where people are very sensitive to good behaviour and patience."

He described Mr Lineker, who has said he will work very hard to learn Japanese, as "a sweet man. He has qualities that other players do not have."

The 10 Japanese clubs are expected to play each other twice at home and away in a season running from March to November, with a July break.

Mr Flood said live television coverage would be a key part of the package for the corporate sponsors, which included Matsushita at Osaka, Mazda at Hiroshima and Nissan in Yokohama, the nearest one to Tokyo.

Football card match, Page 16

THE LEX COLUMN

Reflections on the Mirror

The stock market's view of the Maxwell empire underwent a sudden and significant shift yesterday. Since Mr Robert Maxwell's death, shares in the Mirror Group have risen and fallen daily along with those of Maxwell Communication (MCC). Yesterday, MCC's shares fell a further 22 per cent. Mirror shares surged 11 per cent to a record 126p, 1p above the flotation price. The collapse in the MCC price, the market has decided, has reached the point where the Maxwell family has no more bargaining power. As far as its control of the Mirror is concerned, the game is up.

The market could of course be wrong about that. But it is worth asking what would happen if a bid for the Mirror Group were launched tomorrow. Since the 51 per cent Maxwell holding is worth a much-needed £250m at yesterday's prices, the banks would be bound to query the logic of retaining the most saleable asset in the empire. It is even conceivable that they could call in enough Mirror shares held as collateral to deliver control to the bidder. That apart, the market is bound to ask itself why a reasonably pure newspaper business should be on a p/e of 9 and a yield of 6.6 per cent if its ownership is up for grabs.

Northern Foods

Yesterday's 4 per cent rise in Northern Foods' share price on a £227m rights issue suggests a degree of popularity verging on the suspect. But Northern was perhaps lucky. On a day which saw Whitbread and RHM displaying the fallibility of beer and bread respectively, the 17 per cent rise in its interim profits was a powerful argument for expansion in the dairy trade.

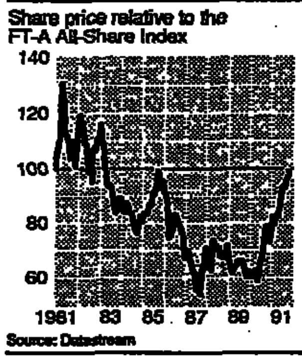
The most arresting aspect of the Express deal is that whereas Northern's dairy business provided the most powerful organic growth in yesterday's results, it is acquiring Express on a lower multiple than its own. Considering the scope for cutting costs and for disposals, the deal may very well help earnings as early as next year.

Given the recent strength of the shares, the case for further outperformance depends on wider strategy. Northern's policy of sticking to the UK market is at odds with the theory that European food will soon be in the hands of a few giants like Unilever and Nestlé. But Northern may be right that the expertise of the giants lies in long-life branded goods, rather than the fast-growing chilled own-label products at which it excels. The problem could be rather that the Express deal may stretch Northern's management capacity, particularly if it continues the smaller acquisitions on which much of its recent growth has depended. That is a problem most companies would envy.

FT-SE Index: 2,472.6 (+9.5)

Northern Foods

Share price relative to the FT-A All-Share Index



Source: Datastream

RHM

It was evident from AB Foods' full-year figures on Monday that the UK milling and baking cycle is still stuck in its prolonged downturn. Equally clear in Ranks Hovis McDougall's annual results yesterday was the resulting price battle in the bread market, which began after the 1988 harvest and has become increasingly vicious. RHM managed a steady group performance, thanks mainly to its grocery division. Milling and baking produced just £60m of profit, £10m less than two years ago. Without a bread price increase in the new year, it will presumably go further backwards. Something, doubtless in the form of more independents, has to give.

One could gripe about the £26m of extraordinary items; but to give management its due, RHM has been pretty well placed to fight the recession. Its operations are relatively efficient, its balance sheet now contains net cash and its brands have performed well. It could yet expand into a leading European milling force, although that will take time. The problem is that, in the short term at least, its earnings are going nowhere. Its shares have lost nearly a fifth of their value this year and 42 per cent since the start of 1990. The resulting yield of nearly 7 per cent makes them a solid hold for income funds. Until there are signs that the cycle is turning, they have no wider appeal.

Whitbread

Whitbread was quick to blame its first profit fall in 16 years on a recessionary decline in consumer spending. A closer look suggests a slightly more complex story. Operating profits in beer fell by only 5 per cent despite a volume drop of 6 per cent. The company would attribute this to a conscious policy of preserving brand image by not discounting even at the expense of volume. A more cynical view is that the growing concentration in the brewing industry has allowed prices to be maintained even at times of weak demand.

If that is indeed the case, the question arises of how far the volume drop is actually a function of recession and how far it reflects consumer resistance to the high real price of beer. Whitbread is now a junior player in the big league. Its strategy would be particularly vulnerable if a Bass or a Courage decided to push for market share by backing away from high prices. The need to keep up would dilute the effect of recovery in Whitbread's retail businesses, where, paradoxically, volumes appear to have been sustained at the price of a sharp drop in margins. Perhaps it is time for Whitbread to merge as well.

Williams/Racal

The competitive conditions imposed by the Department of Trade and Industry on Williams' bid for Racal have done little to alter the market's perception of the deal. The respective share price movements yesterday show the continued expectation that Racal will come back with a slightly higher offer, probably including an underwritten cash element. At any rate, its all-share offer is now worth less than 48p, compared with Racal's 54½p close.

Assuming Williams can overcome its aversion to paying cash, a modest increase above this level might well be enough to clinch the deal: unless, of course, Racal is able to come up with a singularly powerful and credible profits forecast. But it has a record here of playing its shots close to the line. It only just managed to scrape in above the controversial forecast which it made at the time of the Chubb acquisition and which was later the subject of representations to the Takeover Panel.

Shevardnadze warning

Continued from Page 1

"After (the coup attempt in) August, the president came to some important conclusions. His change toward democracy is, in my mind, final," Mr Shevardnadze said. "Under these circumstances, I thought it possible to work with him."

The Soviet president painted a picture of rapidly falling agricultural and industrial production – down 9 and 7 per cent respectively – and a severing of many of the links between republics. The familiar complaint, which included a forecast of a Union budget deficit of Rs205bn by the end of the year (Rs300bn including the republics' deficits) had only one antidote – rapid economic reform.

Mr Gorbachev said the State Bank had printed Rs83bn to November 1 of this year against a planned Rs7bn, because of the surging demand for cash.

Delors attacks treaty

Continued from Page 1

Mr Delors hammered the point that the extension of qualified majority voting to the core areas of EC decision making was "the only way of getting rapid decisions and effective action".

Provocatively, he chose social policy to illustrate his point, despite indications that he is prepared to see some dilution of the treaty's provisions on certain aspects of industrial relations sought by Germany.

Although all except the UK adopted the Social Charter in December 1989, Mr Delors complained that "not one significant law has since been passed".

A minimum set of social regulations was morally obligatory to soften the impact of industrial restructuring, he said, making clear that trade union matters would not be covered by majority voting.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F
Ajaccio	F	14	57	Berlin	C	5	41	Caracas	C	28	82
Algiers	R	13	55	Biarritz	C	10	50	Casablanca	C	16	61
Amsterdam	F	4	39	Bombay	S	33	91	Chicago	R	7	45
Athens	S	18	64	Bordeaux	C	7	45	Cologne	R	3	37
Bahrain	S	25	77	Boulogne	F	7	45	Copenhagen	C	-2	28
Bangkok	F	31	88	Brussels	Dr	3	37	Corfu	F	17	63
Barcelona	S	12	54	Budapest	C	8	46	Dallas	C	6	43
Beirut	S	23	73	Buenos Aires	F	23	73	Dublin	F	4	39
Belfast	S	5	41	Cairo	F	24	75	Dubrovnik		-	-
Belgrade	F	14	57	Cape Town	F	18	64	Edinburgh	F	2	36

		°C	°F			°C	°F			°C	°F
Faro	S	16	61	Islamabad	F	22	72	Madeira	F	[illegible]	[illegible]
Florence	R	12	54	Istanbul	S	14	57	Madrid	F	[illegible]	[illegible]
Frankfurt	R	6	43	Jakarta	R	32	90	Majorca	C	[illegible]	54
Geneva	R	7	45	Jersey	S	8	46	Malaga	S	14	[illegible]
Gibraltar	S	13	55	Johannesburg	F	23	73	Malta	[illegible]	[illegible]	[illegible]
Glasgow	F	2	36	Lima	C	[illegible]	[illegible]	Manchester	[illegible]	[illegible]	[illegible]
Helsinki	C	-3	27	Lisbon	S	13	55	Manila	[illegible]	32	[illegible]
Hong Kong	C	20	68	London	C	7	45	Melbourne	F	[illegible]	[illegible]
Innsbruck	R	3	37	Los Angeles	S	14	[illegible]	Mexico City	[illegible]	[illegible]	[illegible]
Inverness	S	4	39	Luxembourg	C	3	[illegible]	Miami	[illegible]	24	75

		°C	°F			°C	°F			°C	°F			°C	°F
[illegible]	C	[illegible]	45	Nicosia	S	[illegible]	[illegible]	Salzburg	R	2	36	Tenerife	Dr	20	68
Montreal	[illegible]	[illegible]	54	Oporto	F	[illegible]	[illegible]	San Francisco	C	11	52	Tokyo	S	17	63
Moscow	Sn	[illegible]	[illegible]	Oslo	S	[illegible]	[illegible]	Seoul	S	8	46	Toronto	R	12	54
Munich	R	[illegible]	36	Paris	C	3	37	Singapore		-	-	Tunis	F	19	66
Nairobi	F	23	[illegible]	Peking	S	9	48	Stockholm	S	-2	29	Valencia	S	16	61
Naples	S	[illegible]	[illegible]	Prague	[illegible]	[illegible]	36	Strasbourg	C	8	48	Venice	R	11	52
Nassau	F	27	[illegible]	Reykjavik	R	[illegible]	41	Sydney	F	13	64	Vienna	R	5	41
New Delhi	[illegible]	[illegible]	[illegible]	Rhodes	[illegible]	19	64	Taipei	C	24	75	Warsaw	R	5	41
New York	[illegible]	[illegible]	54	Rio de Janeiro	F	34	93	Tangier	C	14	57	Washington	S	14	57
Nice	F	[illegible]	56	Rome	[illegible]	18	[illegible]	Tel Aviv	F	23	73	Zurich	C	6	43

Temperatures at midday yesterday. C-Cloudy, Dr-Drizzle, F-Fair, Fg-Fog, H-Hail, R-Rain, S-Sunny, Sl-Sleet, Sn-Snow, T-Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday November 21 1991

INSIDE

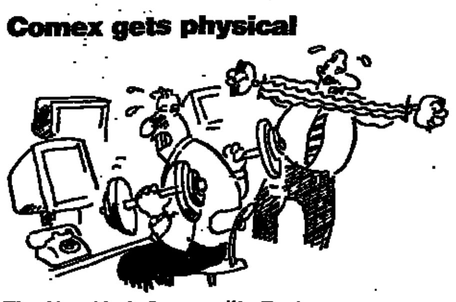
IBM to move power away from the centre

IBM, the US computer group, plans to decentralise control of its vast empire by giving individual business groups much greater autonomy. It is expected to announce a worldwide restructuring in the next few weeks. Page 27

Banks in Maxwell meeting

National Westminster, lead banker to the Maxwell family's empire of private companies, was yesterday locked in crisis meetings with other banks, to initiate a formalised restructuring of £800m ($1.4bn) of loans to these private companies. As a first step, it was trying to provide terms acceptable to Swiss Bank Corporation, whose £55m loan to Adviser (188), a Maxwell vehicle, is in default. Page 32

Comex gets physical



The New York Commodity Exchange plans to begin trading physical copper next year, to complement its current business in copper futures. Mr David Halperin, president, said the intention was not to grab business from the London Metal Exchange, the world's leading physical copper market. Page 34

Brussels calm before election

There is a general election in Belgium on Sunday. To outsiders it looks as though the Brussels bourse is bearing the political upheaval with remarkable equanimity. Back Page

Mixed fortunes for carmakers

Renault, the French state-owned carmaker, said its recent three-week strike cost it up to FFr2bn ($365m), but it still expected to make a small profit for the year.
Volvo, the Swedish auto group, reported a profit of SKr1.27bn ($219m) for the first nine months of the year against a comparable SKr193m loss.
Saab-Scania, the Swedish vehicle and aerospace group, suffered a fall in profits to SKr892m ($154m) from SKr1.571bn for the first nine months of the year. Page 26
Mazda, the Japanese carmaker, yesterday posted a 53 per cent decline in interim pre-tax profits to Y11.2bn ($86m). Page 27

Ratners festive rally

Ratners, the jewellery group, is attempting to polish up its image in the vital run-up to Christmas. But the festive efforts of chairman Gerald Ratner (left) come at a time of tough trading conditions on both sides of the Atlantic and continued uncertainty among shareholders. Page 33

Market Statistics

Companies in this issue

Chief price changes yesterday

NEW YORK ($)							
Rises				Cap Gemini S	245	–	9.4
Bristol-Myers	82¼	+	1¼	UFB Locabail	300	–	22
CSX	51⅞	+	1½	Vallourec	270.1	–	11.9
Genelabs Tech	10¾	+	1¼	**TOKYO (Yen)**			
Merck	144⅝	+	5¾	**Rises**			
Falls				Achilles	663	+	60
Autodesk	33⅛	–	5⅜	Fujiya	1040	+	100
Hershey Foods	38	–	2¼	Meiji Milk Prods	1220	+	100
PARIS (FFr)				Mitsui Sugar	650	+	49
Rises				Toyo Sanso	1490	+	120
BNP Cert Inv	333	+	18.9	**Falls**			
Damart	2298	+	107	Nagasakiya	1650	–	140
Falls							
Arjomari Prioux	2020	–	86				

New York prices at 12:30. Frankfurt closed.

LONDON (Pence)							
Rises				**Falls**			
BAA	485	+	7	AB Electronics	92	–	4
British Gas	251	+	8½	Brit Airways	210	–	5½
Cosalt	140	+	8	Cable & Wire	513	–	22
Gresham House	21	+	4	French Connect	30	–	3
Northern Foods	526	+	19	K'wort Benson	303	–	10
Psion	118	+	18	Lep Group	14	–	3
RHM	246	+	9	Maxwell Comm	36	–	10
Resort Hotels	98	+	3	Simon Eng	247	–	11
Shani Group	66	+	6	Willis Corroon	240½	–	13½
Tyne Tees TV	279	+	9				
Whitbread A	441	+	9				

Bank shares retreat in Oslo after DnB and Christiania criticised by regulatory authorities

Norwegian banking crisis deepens

By Karen Fossli in Oslo

THE CRISIS in the Norwegian banking industry deepened significantly yesterday when the country's leading banks ran into criticism from regulatory authorities over their recent conduct, and the share prices of all banks listed on the Oslo bourse fell as investor confidence sagged.

Den norske Bank, the country's biggest bank, suffered the steepest fall. Its shares fell by more than 50 per cent to NKr4.50 before closing at NKr5.65. Its shares have fallen by 94.9 per cent since November 20 last year, when they were NKr112.

Bourse officials imposed a record NKr3.2m ($487,000) fine on Christiania Bank, the second biggest bank, for breaching stock exchange reporting laws.

Christiania had reported losses on loans and guarantees in the first three months of 1991 of NKr610m, but after nine months the bank's credit losses had risen to NKr7.33bn.

In a report on the breach the bourse said "there can be no doubt" that the management of Christiania knew, or should have known, when drawing up the report for the first quarter of 1991 that losses were higher than reported.

"It is furthermore not unreasonable to assume that a relationship exists between the losses recorded and the desire to show a primary capital ratio over 4 per cent," the bourse concluded.

If Christiania had presented actual loss estimates for the period, the bourse said, it would have meant that the bank would not have qualified for an injection of preference capital from an emergency bank fund.

The bourse said investors who purchased Christiania shares after April 29 were not given important information.

"It could almost be believed that the bank's administrative management has tried deliberately to deceive their shareholders and the stock market," the bourse said.

It also sharply criticised Den norske Bank for misleading investors by saying that it would meet 1991 capital adequacy requirements one week before being forced to admit that huge losses would not allow it to do so.

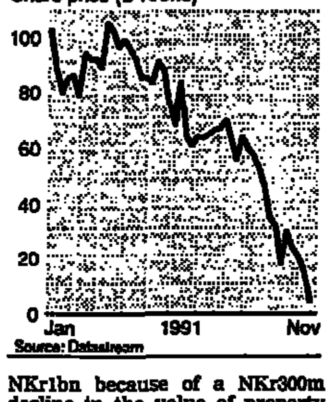
On October 14, DnB said "the bank is not aware of any circumstances indicating that it will not meet the capital adequacy requirement of 5.6 per cent by December 31, even without the infusion of external capital".

But on October 22, DnB said because of massive third-quarter loan loss provisions the bank "will need an injection of capital from external sources to satisfy the capital adequacy requirement".

Separately, Fokus Bank, the third biggest bank, was forced by the bourse to increase nine-month losses to NKr1.31bn from NKr1bn because of a NKr300m decline in the value of property holdings.

On Tuesday Fokus warned it "might" have to write down the value of its property by the end of the year.

Den norske Bank



Source: Datastream

Peter Wickenden on Taiwan Aerospace's $2bn link with McDonnell Douglas

Aircraft joint venture gives Taiwan a high-flying image

Taiwan Aerospace, a seven-week-old joint venture between the Taiwan government and local industry capitalised at $200m, yesterday announced its intention to invest $2bn in a new aircraft manufacturing joint venture with McDonnell Douglas, the financially stretched US aerospace group.

McDonnell Douglas's existing commercial aircraft operations are to be hived off from its government programmes early next year and will form the core of the new company.

Under a memorandum of understanding, Taiwan Aerospace investors could acquire a 40 per cent stake in the company for their $2bn, with McDonnell Douglas retaining the majority stake and management control.

The deal, if concluded on schedule by the end of January, would give McDonnell Douglas around half of the funds it needs to develop its new MD-12 long-range wide-bodied aircraft.

The US company still hopes to attract other Asian partners to the venture, either as minority equity investors in the business or as risk-sharing sub-contractors. It has held discussions in South Korea, Indonesia and Singapore.

McDonnell Douglas estimates that manufacture and sub-assembly of wing and fuselage parts in Taiwan for final assembly at a new plant somewhere in the US would cut its production costs by 20 per cent, even allowing for Taiwan's rapidly rising wage levels.

Although the venture would land Taiwan Aerospace with a monumental debt before it has turned out even a rivet, it could give Taiwan's fledgling aerospace industry export business worth $5bn a year by the mid-1990s, when the MD-12 is due to fly.

The McDonnell Douglas deal would thus be a big step toward realising the Taiwanese government's dream of establishing a range of high-technology and high added-value industries on an island better known for plastic flip-flop sandals and low-end computers.

The government is a leading shareholder in Taiwan Aerospace and will directly or indirectly be coughing up the $2bn.

Dr David Huang, Taiwan Aerospace's chairman, said yesterday that foreign banks would not be invited to finance the deal unless local ones were unable to do so on reasonable terms.

Mr Danny Ko, president, said a government fund which draws on Taiwan's $76bn in foreign exchange reserves to assist firms in making strategic overseas acquisitions might provide some of the funds. The only local banks in a position to lend on that scale are state-owned.

Although Taiwan Aerospace was officially launched on Oct 1, McDonnell Douglas and other aircraft manufacturers have been taking the company seriously for over a year. Mr Ko said he has discussed joint ventures and signed memoranda of understanding with several companies. Talks with France's Aérospatiale about production of Super Puma, Ecureuil and Dauphin helicopters are at an advanced stage and will continue.

Taiwan Aerospace's private sector shareholders, which account for 71 per cent of its equity, are Taiwan's largest industrial conglomerates: Evergreen Marine, which owns the world's largest container shipping fleet; Yueloong Motor, which has built Nissan cars in Taiwan for 30 years; Tatung, a machinery and consumer electronics maker; Pacific Electric Wire and Cable, the industrial group; the textiles-based Hualon Group; and Formosa Plastics, Taiwan's largest private enterprise. China Steel, which is being privatised, is to join the consortium next year, bringing the company up to its targeted $250m capitalisation.

Securities analysts say that most of these companies are highly profitable, with low debt-to-equity ratios, and have limited experience in aerospace.

Mr Ko said the mutual attraction with McDonnell Douglas was a matter of timing. "If it were 10 years earlier I don't think we could get McDonnell Douglas to listen to us. If it were a decade later, maybe Taiwan Aerospace would be strong enough not to need to work with others. We are an infant and they are in need of financial assistance and low-cost production."

In the next three months, both governments must approve the deal, Taiwan Aerospace must find the cash, and the due-diligence process be completed. Mr Ko said Taiwan Aerospace has not yet "seen the merchandise" that will emerge from McDonnell Douglas's restructuring.

However, a confident Mr Robert Hood, president of the Douglas Aircraft Company, McDonnell Douglas's California-based division, described the deal in Taipei as a "win-win situation" that would give his company financial strength.

But Mr Ko, who has been with Taiwan Aerospace for about six weeks, admitted that Taiwan Aerospace has not yet decided what business areas it will concentrate on. Proposals from potential foreign partners have included everything from airframes and avionics to jet engines and satellites.

Detailed talks have been held with Pratt and Whitney, the US aero-engine manufacturer, but he said this "might be a premature idea until we figure out how to acquire certain capabilities".

Industry analysts think this and future deals might encounter snags on the technology transfer front. Taiwan Aerospace, according to Mr Ko, wants technology and does not aim merely to turn out parts and sub-assemblies on an original equipment manufacture basis like thousands of other so-called high-technology Taiwanese companies.

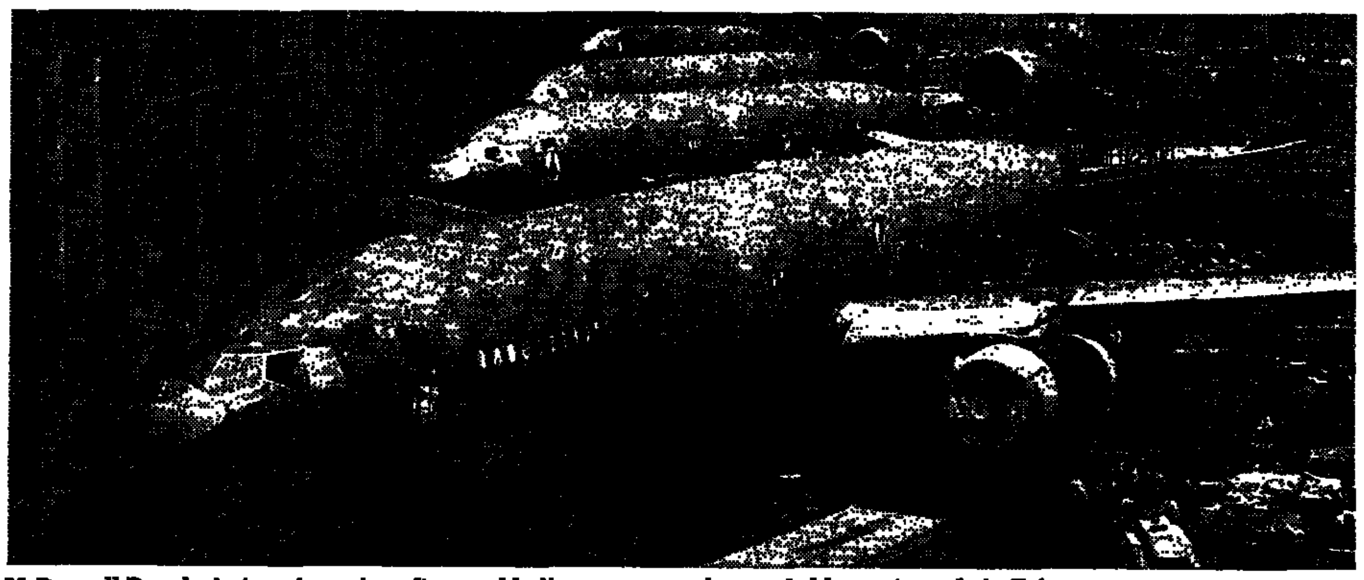
His talks with foreign companies have revealed a common reluctance to part with technology. "In the first instance they always say yes, but when we get into specifics there is a degree of concern on both sides."

McDonnell Douglas has lobbied hard in the US Congress to silence criticism that it is giving technology away, said Mr Hood. "We are really not exporting jobs or technology. [The deal] will give us long-term job stability and without it we would not move forward with the MD-12."

Taiwan's military force, which has developed two jet aircraft, engines, missiles, rockets, radar systems and other equipment, has so far been unwilling to share its technology with the private sector, which in turn has balked at putting more money into Taiwan Aerospace.

Taiwan Aerospace's physical assets so far consist of a second-hand factory building in Taichung in central Taiwan. It has ordered "$10m of machinery that will provide the capability for making very large structures like fuselages for airliners and for some sub-assembly", says Mr Ko. He plans to start production by the middle of next year, but says that he lacks a satisfactory level of orders so far.

Mr Hood, meanwhile, said the deal would lead to "a significant change in the way we manufacture commercial aircraft throughout the world".



McDonnell Douglas's American aircraft assembly lines may soon be suppled by parts made in Taiwan

Sony falls 25.7% to Y95.3bn

By Steven Butler in Tokyo

SONY, the Japanese consumer electronics and entertainment group, suffered a steep drop in pre-tax profits in the six months to the end of September as a result of the strength of the yen and lack-lustre sales of audio-visual equipment in Japan.

Before taxes, consolidated profits fell 25.7 per cent to Y95.34bn ($735m). Sales moved ahead 3.9 per cent to Y1,812.5bn while short-term debt rose 34 per cent to Y1,050.7bn. The profits decline was even steeper at the operating level, which plunged 35.6 per cent to Y106.05bn.

Sony blamed weak consumer spending in Europe and the US, and cited "unprecedented" confusion in capital markets in Japan as well as stagnant housing investment and uncertain personal spending. The company warned that business conditions would grow more severe in the second half of the year.

Sony shares have recently been battered on the Tokyo Stock Exchange, as a result of poor business conditions and the separate offer of new shares for Sony Music Entertainment (Japan), which caused some institutions to sell parent company shares to avoid overweighting portfolios with the group. Sony shares yesterday fell Y90 to close at the year's low of Y4,710.

In Europe, sales of audio equipment and colour TVs rose and 8mm video camcorders showed a sharp increase. In total, video equipment sales rose 1.7 per cent to Y454.5bn; audio equipment advanced 7.2 per cent to Y453bn; and televisions rose 10 per cent to Y281bn. Music entertainment fell 12.1 per cent to Y201.5bn, while film revenues slumped 7.1 per cent to Y123.7bn, reflecting poor sales at Columbia Pictures.

Sony said short-term debt rose mainly because of increased employment of operating funds in the US music and film businesses. Accounts payable rose Y96bn to Y751.8bn. On the asset side, Sony saw a rise in its inventories from Y717.5bn to Y869.8bn, while receivables rose Y63.4bn to Y781.7bn.

Income from consolidated and affiliated companies fell Y6.9bn to Y45bn. After a sharp reduction in the tax charge, net income dropped Y13.3 per cent to Y45.04bn. An interim cash dividend was declared unchanged at Y25.

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Northern Foods raises £227m

By Guy de Jonquières, Consumer Industries Editor, in London

NORTHERN FOODS, the UK foods group, yesterday announced a £227m ($401m) one-for-four rights issue to help fund the planned acquisition of parts of Grand Metropolitan's Express Dairy business, after reporting a 16 per cent increase in first-half profits to £55.2m.

The rights issue is priced at 415p per share.

Though the value of the Grand-Met deal was at the upper end of City of London expectations, the planned cash call was well received and Northern's shares closed up 29p at 526p in London.

Northern has agreed to pay £326m in cash for the Express Dairy liquid milk business and Eden Vale, a producer of chilled dairy products which includes Thayers ice cream and Coldstream, a distribution operation.

Northern will also assume debt and tax liabilities of £33m. The balance of the acquisition cost would be funded by bank borrowings. After the deal and rights issue, the company's net borrowings would be £175m and net assets £303m.

The acquisition would more than double the size of Northern's dairy business. The company said the deal and the rights issue were conditional on assurances from the Office of Fair Trading that the government did not intend to refer the deal to the Monopolies and Mergers Commission.

Northern's pre-tax profits for the six months to September 30 compare with £47.4m a year earlier and were earned on turnover of £655.6m, up from £567.6m.

Earnings per share grew to 18.31p from 15.58p.

A dividend of 6.85p, up from 6p, was declared.

Mr Chris Haskins, chairman, described the results as excellent. Profits in all divisions had improved despite a difficult economic background, and acquisitions made in the previous financial year had performed well. Group operating margin rose to 8.8 per cent from 8.5 per cent.

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INTERNATIONAL COMPANIES AND FINANCE

ABB earnings improve 2% despite fall in sales

By William Dullforce in Geneva

ASEA BROWN Boveri, Europe's biggest electrical engineering group, has reported a 2 per cent increase to $761m in pre-tax earnings for the first nine months.

But orders received in the first three quarters were down by 2 per cent to $20.8bn, and company headquarters in Zurich said the group was starting to feel the full impact of declining demand for investment goods in the construction industry and of postponements in orders for power plants.

Some large restructuring moves would be made in 1992-93 in response to the change to a single market within the European Community and the integration of newly acquired plants in eastern Europe.

Mr Heinz Haussmann, head of corporate information, said that, while it was not optimistic about the economic outlook, ABB was satisfied with the way profits had held up. The group would continue to adjust capacity to demand.

Consolidated sales for the nine months at $20.3bn were 8 per cent ahead of the corresponding period of 1990. At the end of September the order backlog was $25.7bn.

Operating earnings after depreciation were up by 8 per cent to $1.29bn. Profit increases were reported by the power plants, power transmission and industry sectors.

Spending on research and development had increased "considerably," particularly in power plants and industry. Earnings after financial items were therefore only 1 per cent ahead at $754m.

Better performances after restructuring in markets such as North America had compensated for lower earnings in recession-struck markets. Earnings after financial items for the full year were expected to reach roughly the $1.13bn posted last year.

Incentive tumbles 57% to SKr138m

By John Burton in Stockholm

INCENTIVE, the Swedish industrial concern, yesterday reported that profits after financial items fell by 57 per cent to SKr138m ($15.6m) for the first nine months of 1991, while sales remained unchanged at SKr10.5bn.

It forecast that earnings for the year would be half of its 1990 result of SKr454m. Profits amounted to SKr777m, a decline of 26 per cent, if income from Incentive's large shareholdings in Asea, Electrolux and Esab are included.

Incentive, which was separated from Asea and introduced on the bourse in July, is an important link in the Wallenberg industrial empire due to the stakes it holds in several of the companies controlled by the family.

Most of Incentive's operations, except for its hydro-electric power division, have suffered from falling earnings this year.

Incentive recently announced that it was divesting some of its subsidiaries to concentrate on its core industrial activities, which includes tracked vehicles and the camera company Hasselblad.

Williams bid for Racal may go ahead

By Richard Gourlay in London

WILLIAMS Holdings, the UK industrial conglomerate, yesterday received conditional clearance from the Department of Trade and Industry for its £663m ($1.19bn) hostile bid for Racal Electronics.

Mr Peter Lilley, the trade secretary, said the bid would be referred to the Monopolies and Mergers Commission unless certain undertakings to sell Racal Chubb's locks and safes businesses were signed by Williams.

The company welcomed Mr Lilley's statement. Advisers said Williams had already told the DTI that it would sell all Chubb's UK locks and safes businesses, leaving Williams with no more of the market than it controlled now through its subsidiary Yale and Valor.

The Chubb sale – including Union Parkes which Williams had proposed in its September 20 offer that it would retain – represented less than 25 per cent of Racal Chubb's £650m turnover and approximately 10 per cent of Racal's total turnover in 1990.

The DTI invited interested third parties to make their views known about the undertakings to the Office of Fair Trading before November 29.

The Takeover Panel said yesterday it would be considering representations from Racal and Williams to decide when the bid timetable should resume. The DTI investigation froze the process on day 37, two days before Racal would have had to produce its final defence document, including a profits forecast.

Williams yesterday said the timetable should resume without delay but Racal had argued to the Panel that the bid clock should only resume once Williams had signed its undertakings to the DTI.

Racal said Williams' statement welcoming the ruling was misleading. Advisers quoted a draft of the undertaking Williams would have to sign which they said suggests Racal would have to sell the Chubb safes and locks businesses "worldwide" within six months. This would represent sales of £194m, or about 30 per cent of Racal Security's sales in 1990.

Racal said that breaking up Chubb would not be in the interests of shareholders. It would devalue the Chubb brand name and be detrimental to the business.

Nestlé forecasts sales rise of 7%

By Ian Rodger in Zurich

NESTLE, the world's leading foods group, expects a 7 per cent rise in sales to about SFr50bn ($35.21bn) this year, and hopes net earnings will rise at a similar rate from last year's SFr2.27bn.

Mr Helmet Maucher, chairman, described the group's performance this year as "generally satisfactory" and in line with expectations.

He revealed that group sales in the first 10 months of the year were ahead 7.4 per cent at SFr41bn, of which 2 per cent came from exchange rate movements and 1.1 per cent from acquisitions.

Mr Reto Domeniconi, finance director, said the group's 4.3 per cent sales volume growth this year was particularly gratifying considering the weak economic conditions in many of its markets.

Demand was buoyant in Germany, particularly in the eastern part of the country, which now accounts for one tenth of Nestlé's German sales. Demand for instant coffee and delicatessen in Italy and for chocolate, frozen foods and pet foods in Spain was also strong.

An 8 per cent growth in sales in North America was flattered by foreign exchange gains, while the 7 per cent rise in Latin America masked much larger volume increases.

Mr Domeniconi said the group's sales "progressed spectacularly" in Brazil, but price freezes there made it impossible to compensate for the decline in the cruziero. In Mexico as well, volume growth was over 10 per cent.

Far eastern markets, led by Japan, also yielded double digit growth in sales, but sales in the middle east slumped because of the interruption of shipments to Iraq until August.

Mr Domeniconi said the group's net debt stood at a "relatively light" SFr5.6bn at the end of October, roughly equivalent to a third of shareholders' funds, exclusive of goodwill. Liquid balances stood at SFr4bn. Capital spending might reach SFr2.6bn this year, compared with SFr2.54bn last year.

Three of Europe's leading car manufacturers encounter difficult trading conditions in main markets

Renault sees profit in spite of strike costs near FFr2bn

By William Dawkins in Paris

RENAULT, the French state-owned car maker, yesterday revealed that its recent three-week strike had cost it up to FFr2bn ($365m), much more than previously estimated, but that it still expected to make a small profit for the year.

The estimate includes lost sales, operating losses and the pay offer made to bring the strike to an end, said the company. The final cost is likely to diminish by the end of the year, depending on how quickly the group catches up on the production held up by the dispute, it said. However, it fears that it will not be able to recover most of the lost sales before the end of the year.

Riot police forced gates open to break a 19-day blockade

Renault yesterday announced that it had made a FFr2.9bn pre-tax profit in the nine months to September, which indicates a recovery when compared with pre-tax earnings of FFr1.71bn for the whole of 1990, but an 83 per cent fall from 1989.

However, this does not include any costs of the strike, which began in mid-October. It does include a FFr79m loss for Renault's share of losses at Volvo, its Swedish partner.

There are no comparable quarterly figures for 1990 since this is the first year that Renault has published three-monthly results, a consequence of the Volvo alliance.

Turnover in the first nine months was FFr122.2bn, an estimated 0.7 per cent increase on the comparable period. Car sales were FFr99bn, or 81 per cent of the total, and truck sales were FFr19.4bn, or 15.9 per cent.

Renault made a FFr1.9bn pre-tax profit in the third quarter alone, when volume sales of cars and light commercial vehicles increased strongly to 381,000 units from 339,000 units in the same period of last year.

Finance charges fell in the nine months to FFr982m, representing 0.8 per cent of turnover, against 1.1 per cent in the comparable period. This is due to the FFr10bn reduction in Renault debts allowed by a capital increase at the start of the year, provided by the French government and Volvo.

Demand drop hits Saab-Scania

By Robert Taylor

SAAB-SCANIA, the Swedish vehicle and aerospace group, suffered a fall in profits (after financial items) to SKr892m ($152m) from SKr1.57bn for the first nine months of the year. In the third quarter it made a profit of SKr341m, down from SKr361m in the July-September 1990 period.

There was a 5 per cent drop in consolidated sales for the first nine months to SKr20.56bn from SKr21.54bn for the same period last year. Orders increased 1 per cent to SKr19.4bn. Pre-tax return on capital employed amounted to 9.6 per cent, down from 12.1 per cent.

The company said profits were down in the Scania truck and bus division as demand dropped in its most important markets except Germany.

Total sales in Scania were 2 per cent down on last year's nine-month results to SKr16.69bn from SKr17.08bn. Sales of trucks and buses were little changed in western Europe but there was an improvement in South America and in both the Middle and Far East.

At Saab, profits fell during the period, mainly due to the recession and excess capacity of truck manufacturers, which have pushed prices down in western Europe, the company said.

But the aircraft division recorded an improvement in profits, although sales were down by 7 per cent in the first nine months to SKr3.07bn from SKr3.29bn. The order backlog in aircraft amounted to SKr11bn at the end of September – down from SKr13.6bn at the same time last year. Mr Lars Kylberg, president and chief executive, said the order backlog ensured a full workload in its aircraft division for next year.

Sales in the company's Combitech defence technology division rose to SKr1.61bn from SKr1.23bn, and profits improved. Orders increased to SKr1.45bn from SKr1.04bn due to the larger number of deliveries of missiles, helicopter sighting systems and level-gauging systems.

Mr Kylberg said he hoped the Swedish government would decide by next spring whether to go ahead with defence contracts under the JAS39 Gripen combat aircraft project. Under this project, Saab-Scania hopes to regularly produce Series 2 aircraft and support systems, and to develop a two-seater version, the 39B.

Volvo goes ahead after sale of Saga shares

By Robert Taylor in Stockholm

VOLVO, the Swedish motor group, reported a profit (after financial items) of SKr1.27bn ($217m) for the first nine months of the year, despite mounting operating losses, compared with a SKr193m loss in the same period of 1990.

The profit was due to the SKr1.4bn sale of its shares in Saga petroleum in July and SKr897m was contributed by Procordia, its associate company, and the alliance with Renault.

However, the company suffered a SKr1.25bn operating loss in the first nine months of the year, with SKr697m coming in the third quarter. Volvo made an operating profit of SKr1.192bn in the first nine months of 1990, and SKr182m in the third quarter.

Its third quarter, profit was only SKr119m, compared with SKr255m for the second quarter, although this was an improvement on the SKr2.241bn loss in the third quarter of last year when Volvo included the cost of its restructuring.

Group sales were down to SKr55.55bn from SKr62.43bn for the nine months. There was an improvement on the return of capital employed to 5.3 per cent from 4.8 per cent but income per share fell to SKr5.90 from SKr12.80.

Volvo said operating losses in its car division were SKr1.5bn in the period due to low sales volumes, reduced margins and the costs incurred with running in model changes. It added that there were "no real signs of recovery yet discernible," particularly in the vital US, UK and Nordic markets.

But Mr Christer Zetterberg, Volvo's president and chief executive officer, was in an optimistic mood yesterday. He disclosed there had been substantial improvements in productivity in its Swedish plants with falling absenteeism and labour turnover so it was now up to the levels of its Belgian operations at Ghent. The Volvo 850 model is to be built in Sweden, he added.

INTERNATIONAL COMPANIES AND FINANCE

JAPANESE INTERIM RESULTS

Loan-loss provisions hold Orix almost flat

By Emiko Terazono in Tokyo

ORIX, the leasing company, announced that consolidated pre-tax profits for the six months to September fell slightly due to a sharp increase in loan-loss provisions. The fall came despite a modest rise in sales.

Orix said pre-tax profits fell 0.5 per cent, to Y21.6bn ($166.15m), on a 6.1 per cent rise in overall revenue. After-tax profits rose 0.9 per cent to Y10.7bn.

Interest received on loans and investment securities rose 8.6 per cent to Y106.6bn, while revenue from direct financing leases rose 4.7 per cent to Y76.7bn, and from operating leases 4.7 per cent to Y27bn. However, revenue from brokerage commissions and gains on investment securities plunged 90.8 per cent to Y692m, on a sharp fall in brokerage revenue at Akane Securities, Orix's brokerage arm.

Overall expenses rose 6.9 per cent to Y205.5bn, as Orix increased its provision for doubtful receivables and loan losses 4.4 times to Y22.5bn. Interest payments rose 7.8 per cent to Y153.9bn, and general costs 12.4 per cent to Y31.7bn.

Mazda dives 53% as domestic sales slump takes toll

By Stefan Wagstyl in Tokyo

MAZDA, the Japanese vehicle-maker which recently boosted its image with the success of a small convertible sports car, yesterday posted a 53 per cent decline in interim pre-tax profits, to Y11.2bn ($86.15m).

Reporting results for the six months to the end of September, the company said it had been hit by a weakening Japanese market. This had been compounded by changes in the law on parking, which made it more difficult to own vehicles in urban areas. Exports, which make up nearly two-thirds of Mazda's sales, were hit by declining demand in the US.

Sales fell 0.7 per cent to Y1,102.8bn. The company sold 688,951 vehicles, a decrease of 5.7 per cent on the same period last year. The decline was particularly severe in Japan, where unit sales fell 10.4 per cent to 279,028.

Mr Norimasa Furuta, president, said although the global economic picture was not positive, Mazda was taking steps to secure its position in the market by launching new models and improving distribution.

Despite the squeeze on margins, Mr Furuta reaffirmed Mazda's commitment to investment in new products, highlighting its plans to develop advanced clean engines to meet changing environmental control laws.

Mazda said that, in overseas markets, the decline in US sales was particularly severe, although the newly-introduced MX-3 sports car sold well. European sales rose slightly, boosted by the MX-3.

The company, which is partly owned by Ford Motor of the US, saw net profits fall 60.6 per cent to Y4.26bn. For the full year, it forecasts a slight increase in sales to Y2,340bn, but a sharp decline in profit from Y49.1bn to Y26bn.

Collapse of Nanatomi knocks Tobishima

By Robert Thomson in Tokyo

TOBISHIMA Corporation, the contractor and developer, reported a 52.2 per cent fall in pre-tax profit to Y1.62bn ($1.26m) for the first half to September as the company suffered heavy losses arising from debt guarantees for a bankrupt developer.

Sales for the period rose 19.2 per cent to Y160.79bn, but the contractor said the financial losses arose from borrowings needed to cover debt guarantees of Y104bn for Nanatomi, an ambitious resort developer and stock speculator which failed early this year with debts of close to Y300bn.

Tobishima, which has been restructuring under the guidance of Fuji Bank, has said it will concentrate on domestic construction, and has been scaling down its exposure to the troubled US and Australian property markets. For the year, the company expects sales of Y531bn, up 26.5 per cent, and a pre-tax profit of Y5bn, down 54.3 per cent.

Other leading Japanese construction companies reported strong rises in first-half sales, in spite of the downturn in the domestic property market during the past year. The construction industry has been helped by a Japanese government pledge to Washington that infrastructure spending will rise sharply during the next decade.

● Shimizu Corporation reported an 8.4 per cent increase in sales to Y906bn and a 5.7 per cent rise in pre-tax profit to Y56.6bn. The company said that difficult financial conditions, higher interest rates and a weak stock market had resulted in falling demand in domestic construction.

But Shimizu expects Japanese contractors to profit over the longer term from planned urban redevelopments and from the promised increase in public infrastructure investment. Of Shimizu's sales, construction made up 85.2 per cent, civil engineering 12.3 per cent and other operations 2.5 per cent.

For the year, the company expects sales of Y2,150bn, up from Y1,880bn last year, and a pre-tax profit of Y123bn, 8.8 per cent higher.

● Taisei, the general contractor, reported a doubling of pre-tax profit to Y38.9bn for the half, which it said followed strong domestic orders reflected in a sales increase of 21.1 per cent to Y731.7bn. The company expects sales growth to continue at about 15 to 20 per cent next year, even though Japanese economic expansion is slowing.

Sales for the year are expected to total Y1,750bn, up from Y1,549bn, and pre-tax profit is forecast at Y93bn, a 19 per cent increase.

Radical change of IBM format

Louise Kehoe finds plans to focus more sharply on market segments

INTERNATIONAL Business Machines is planning to decentralise control of its vast empire by giving individual business groups much greater autonomy.

The company is expected to announce a significant restructuring of its worldwide operations in the next few weeks. Details of the changes are said to be near to being approved by the company's top managers.

IBM also intends to reduce overhead costs and eliminate some of the internal bureaucracy for which it is frequently criticised. This year, about 20,000 employees accepted voluntary redundancy and similar programmes are expected to continue through 1992 as the company streamlines its operations.

The US group's goal is to hone its competitive edge by creating groups that focus more sharply upon specific segments of the computer market.

These "companies within the company" are expected to be run as independent business units, although they will continue to have close ties to other parts of IBM, acting as internal purchasers or suppliers of equipment, components, software or services.

IBM has been moving towards decentralised management for several years, but recently the pace of change has accelerated. The scope of the expected management streamlining is expected to be much broader than the incremental steps taken to date.

The thrust of the changes will be to make IBM's "line of business" units, which control different product ranges, far more independent so that they can make decisions faster and compete more effectively with smaller, specialised computer manufacturers.

These have long been goals of Mr John Akers, IBM's chairman. Individual business units should be "measured like real businesses in terms of revenues and margins, profits and returns" Mr Akers said in an interview this year. "The more we can have individual business independence the faster on our feet we will be, and the quicker we will come to market with new products and the more skilled our people will be in that business."

In the past, IBM has given a great measure of independence to groups developing new lines of business, such as the personal computer group in the early 1980s and more recently IBM's computer workstation development group, both of which created highly successful products.

What is contemplated now within IBM, however, is a transfer of power that would also make the company's more mature businesses directly accountable for their performance.

The impetus for change is clear. IBM is losing market share in several key sectors where it faces intense competition from specialised computer companies.

It is also suffering the effects of a severe computer industry downturn. Profits on operations fell 77 per cent in the first nine months of the year and revenue slipped 7 per cent.

John Akers: wants individual business independence

Mr Akers recently sounded an optimistic note, saying "the worst is behind us", and projecting improved performance in the current quarter.

Nonetheless, analysts predict IBM's earnings will decline nearly 60 per cent this year, to about $4.40 a share from $10.51 in 1990. Its expected reorganisation would not, however, be a short-term fix, but a move to address fundamental technology and economic changes that are having a broad effect throughout upon the computer industry.

These include the "commoditisation" of personal computers, and the trend toward "open systems" standards which threatens to undermine the basis upon which computer companies such as IBM have traditionally competed with proprietary hardware and software.

Transforming an unwieldy giant into an agile team is not easy. It is unclear, for example, how IBM's huge sales force might fit into a new structure. Also to be explained is how IBM would avoid sharp conflicts between "independent" business units at a time when technology advances are blurring the distinctions between different classes of computers.

How could IBM maintain its strict "no lay-offs" policy if individual business units are given responsibility for profit and loss?

Would not IBM's personal computer business, for example, be inclined to cut costs by reducing its workforce as Apple Computer and Compaq Computer, its chief competitors, have already done this year?

Faced with such complexities, IBM's top executives are not likely to favour radical change. As Mr Akers says: "We will continue to make adjustments. Only after the fact, each time, will we be able to say whether it was simply an adjustment or something more dramatic."

Dramatic or not, IBM's moves will be watched closely by other computer companies, many of which face similar problems and challenges. None has so far come up with the perfect formula to marry the economies of scale of an industry leader with the responsiveness of smaller highly-focused business units.

Yarn producer hit hard by BCCI collapse

By Robert Thomson

HOTTA TEXTILE Industry, a producer of twisted yarns, yesterday blamed a Y28m ($215,300) first-half pre-tax loss on the freezing of Y2.5bn ($19.26m) in deposits at the Tokyo branch of the Bank of Credit and Commerce International (BCCI).

The company, which reported a pre-tax profit of Y4m for the same period last year, said some of the money had been raised through low-interest loans from Japanese banks and then deposited in a high-yielding long-term account with BCCI.

It said that although it had not been receiving interest payments from BCCI, the Japanese banks had insisted on repayments of the borrowings.

"We are still unclear about the status of our money with BCCI. We are unsure of the bank's future status," the company said yesterday.

The company, which is listed on the second section of the Tokyo Stock Exchange, has responded to the decline in Japanese textiles by attempting to diversify into rust prevention equipment and computer software.

Sales for the first half to the end of September rose 1.7 per cent to Y4.8bn.

Toray held back by construction unit

By Emiko Terazono

TORAY, the textiles company, reported a 5.6 per cent fall in consolidated pre-tax profits to Y36bn ($276.92m) for the first half to September, on a 6.2 per cent rise in sales to Y483.1bn.

Toray blamed the decline on sluggish earnings at its construction subsidiary, where business was affected by the decline in the domestic condominium market. After-tax profits fell 8.3 per cent to Y18.3bn.

Sales of fibres and textiles rose 2.8 per cent to Y234.1bn, plastics and chemicals rose by 5.1 per cent to Y124.9bn, and housing and engineering increased by 17.1 per cent to Y77.5bn.

On a non-consolidated basis, pre-tax profits rose by a marginal 0.3 per cent to Y28.5bn on a 4.2 per cent increase in sales to Y302.5bn. Profits from audio tape film were hit by increased competition.

For the year, Toray expects consolidated pre-tax profits to fall 9.7 per cent to Y73bn on a 6.8 per cent rise in sales to Y980bn.

● Gunze, the underwear company, said unconsolidated pre-tax profits for the first half fell 2.7 per cent to Y5.4bn due to increased interest payments, despite a 6.3 per cent increase in sales to Y90.9bn.

Gunze said that brisk sales of knitted underwear, socks and other products helped overall sales. After-tax profits fell 8.3 per cent to Y2.9bn.

The company revised down its earnings estimates for the year and now projects a 0.2 per cent rise in pre-tax profits to Y12.9bn on a 7.2 per cent rise in sales to Y193bn.

Olympus Optical advances 32%

By Steven Butler

PRE-TAX profits increased by 31.8 per cent to Y7.2bn ($55.38m) at Olympus Optical, which saw a healthy rise in sales of compact cameras, microscopes and endoscopes in the six months to end-September.

Total sales rose by 10.8 per cent to Y93.2bn. The sharply improved results came in spite of the rise in the yen which has hit many other export-oriented Japanese companies.

Exports account for 67.3 per cent of the company's sales. Total sales rose by 10.8 per cent to Y93.2bn. Brisk exports of compact cameras more than compensated for slow sales in Japan, resulting in a 15.2 per cent increase to Y30.2bn.

Sales of endoscopes, for which Olympus dominates the world market, rose by 13.6 per cent to Y40.7bn. Microscope sales rose by 5.9 per cent to Y11.4bn.

After-tax, net earnings rose by 7.6 per cent to Y3.7bn. An unchanged interim dividend of Y6.5 was declared.

UK travel business helps boost Thomson

By Bernard Simon in Toronto

THOMSON Corporation's rising share of the UK travel market helped increase third-quarter operating earnings 9.5 per cent in the face of continued softness in its newspaper business.

The Canadian-controlled company's net earnings rose to US$194m, or 35 cents a share, from US$190m, or 34 cents, a year earlier. Sales advanced to $1.76bn from $1.67bn.

The results mainly reflect the benefits to Thomson, the UK's biggest tour operator, of the collapse of International Leisure Group, its main competitor. Despite recent signs of recovery, total UK travel bookings remain below last year's levels. But Thomson and its three remaining competitors have picked up nearly 2m holidays between them from ILG.

Operating income of the travel division surged 30 per cent in the third quarter to $148m. The company said its tour operations achieved high load factors last summer with "only modest" price discounting. Early bookings for summer 1992 holidays were strong, and tours for this coming winter were selling well.

By contrast, operating earnings from North American newspapers fell 32 per cent to $43m. Advertising lineage fell 7.1 per cent in the first nine months, with larger newspapers feeling the brunt of the decline. Circulations fell, especially in Canada.

UK regional newspapers, whose earnings are included in the information and publishing group, also saw lower operating income, although Thomson said their advertising base appeared to be stabilising. Third-quarter information and publishing income moved up to $132m, from $118m, mainly because of cost savings. The company said, however, that advertising in its medical publications showed clear signs of improvement.

The publishing arm has spent $143m on acquisitions so far this year. They include a reference publishing unit bought from the Maxwell group.

Thomson is likely to be in the forefront of potential buyers for other parts of the Maxwell empire which may be put on the block.

Maple Leaf up despite sales decline

By Bernard Simon

MAPLE Leaf Foods, the Canadian food-processing subsidiary of the UK's Hillsdown Holdings, lifted third-quarter earnings 36 per cent despite a 12 per cent drop in sales.

The earnings improvement, to C$17.2m (US$15.24), or 27 cents a share, from C$12.6m, or 19 cents, partly reflects the shake-up which Hillsdown has given Maple Leaf since taking over in mid-1990. A drop in interest expenses to C$3.8m from C$8.5m also made a large contribution.

Mr David Newton, president, said rationalisation, belt-tightening and product development should bring more improvement in the fourth quarter. Maple Leaf, formerly Canada Packers, is Canada's biggest food processor.

The drop in sales to C$796m was mainly because of the closure of beef abattoirs and the sale of the peanut butter and dairy businesses. Sales of many products have been affected by recession.

The poultry business remained a source of concern, with supply exceeding demand. The company said structural changes were needed in the industry to improve profitability. An equity issue this year has lifted shareholders' equity to C$880m from C$634m and put the company in a positive cash position.

David Jones warns of loss

DAVID JONES, the Australian retailer, will make a loss and is unlikely to pay a dividend for the year to June 1992 because of the group's interest bills.Mr Ken Russell, chairman,told the annual meeting yesterday, Reuter reports from Sydney.

The group paid no dividend for 1990-91 after making a net loss of A$1.38bn (US$1.09bn), against a profit of A$253.39m a year earlier.

Asahi in deal to sell Foster's lager in Japan

FOSTER'S Brewing Group, the Australian beer business which once vowed to "Foster-ise the world", yesterday announced an agreement for its lager beers to be distributed in Japan by Asahi Breweries, writes Kevin Brown in Sydney.

Mr Peter Bartels, chief executive, said the agreement would ensure a significantly increased presence of Foster's beer in Japan, where Asahi is the second largest brewer.

Asahi has a 19.9 per cent stake in Foster's, acquired last year.

Mr Bartels said that Foster's presence in Japan would be enhanced by a marketing campaign to be undertaken by Asahi. The Japanese beer market is about three times as large as the Australian market.

American Barrick seeks C$113m for expansion

By Bernard Simon

AMERICAN BARRICK, the ambitious Toronto-based gold producer, is raising C$113m (US$100.9m) in new equity to finance expansion of its Goldstrike mine in Nevada, and to reduce debt.

Barrick plans to sell 4m common shares on a bought-deal basis to a six-member underwriting group at C$28.25 a share. The shares will be sold in Canada and Europe. The company currently has 137m shares outstanding.

Part of the proceeds will be used to boost milling capacity and to carry out other expansion plans at Goldstrike, which is being developed into North America's biggest gold mine. Goldstrike's output of 408,000 oz in the first nine months of this year was 61 per cent higher than a year earlier.

The company said the funds might also be used for "potential acquisitions", but a spokesman indicated yesterday that no deals were imminent. Talks on a merger with Newmont Mining fell through earlier this year.

Barrick has been among the most popular North American gold mining stocks. Despite the lacklustre gold price, its share price on the Toronto Stock Exchange had climbed in the past year from C$20.50 to C$29.13 just before yesterday's announcement. The shares were recently listed in London.

INTERNATIONAL CAPITAL MARKETS

UK bonds slide lower as focus shifts to Germany

By Simon London in London and Patrick Harverson in New York

UK GOVERNMENT bonds traded lower yesterday as the weakness of sterling on the foreign exchange markets and losses in the US Treasury bond market depressed sentiment.

However, both cash bonds and futures traded within a tight range before today's meeting of the Bundesbank council in Frankfurt, which could decide to raise German interest rates.

GOVERNMENT BONDS

The December gilt futures contract on the London International Financial Futures Exchange closed the day at 95.02, down from the opening level of 95.07 but above the day's low of 94.28. Trading volume was quiet at 14,000 contracts.

In the cash market, the benchmark 11¾ per cent gilt maturing 2003/2007 closed at 113⅞, against 113⅞ on Tuesday, for a yield of 9.73 per cent.

On the foreign exchange markets, sterling fell below DM2.87 for the first time since joining the European exchange rate mechanism a year ago, before recovering to stand at DM2.8730. The floor against the D-Mark is currently around DM2.8550. The weakness of sterling is seen as delaying any possible interest rate cuts until the new year.

Weak bank lending figures for October also underlined that the consumer demand in the UK economy is weak. M4 lending for the month was £1bn, against analysts' estimates of £2.5bn.

■ GERMAN markets were closed yesterday for a public holiday ,and trading of bund futures in London was subdued. The December bund contract on Liffe closed at 86.18, up from an opening level of 86.14. Volume was subdued at 16,000 contracts.

Today, the markets will focus on the Bundesbank council meeting.

However, analysts said yesterday that rates were unlikely to be raised this time. Money market interest rates in Germany have been stable and the Bundesbank injected DM3.5bn liquidity into the market on Tuesday.

In the recent past, rises in official interest rates have been preceded by a money market squeeze. In addition, the German currency is buoyant on the foreign exchange markets.

■ IN NEW YORK, Treasury prices eased slightly at the long end following an unexpectedly strong housing report yesterday morning, but prices at the short-end stood their ground as the stock market showed signs of returning to normality.

By midday, the benchmark 30-year government bond was down ⅛ at 100¾, yielding 7.928 per cent. The two-year note was unchanged at 100⅞, yielding 5.499 per cent.

Bond prices slipped in early trading on news of a 7.3 per cent rise in October housing starts. The market had been expecting housing starts to have been flat last month, and for a short while selling took the edge off the long end.

The 30-year did come back from its lows, however, with analysts arguing that in spite of the housing starts data, the economic picture remains almost unreservedly gloomy.

In the credit markets, although Fed funds traded above their target rate of 4½ per cent, the Federal Reserve declined to intervene to push it lower. By mid-session the Fed funds rate was holding steady at 4⅝ per cent.

■ JAPANESE government bonds traded lower overnight in Tokyo although business was dominated by the weakness of the US bond market.

The benchmark No 129 closed on a yield of 5.905 per cent, from an opening level of 5.875 per cent. The mood was matched in the futures market, where the December JGB contract closed down at 99.84, from an 100.07 opening level.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	114.0600	+0.247	9.76	9.89	10.01
BELGIUM		9.000	06/01	99.5000	-0.100	9.07	9.04	9.07
CANADA *		9.750	12/01	99.1500	-1.450	8.62	8.58	8.86
DENMARK		9.000	11/00	100.3700	-0.005	8.94	8.87	8.83
FRANCE	BTAN	8.500	11/96	97.9700	-0.080	9.02	8.89	8.90
	OAT	9.500	01/01	104.0200	-0.290	8.83	8.75	8.78
GERMANY		8.25	09/01	100.0900	-	8.23	8.23	8.19
ITALY		12.000	06/01	96.8300	-0.030	12.68	12.46	12.32
JAPAN	No 119	4.800	06/99	92.4904	-0.358	6.26	6.20	6.13
	No 129	6.400	03/00	102.6215	-0.432	5.93	5.88	5.80
NETHERLANDS		8.500	03/01	98.6500	-0.010	8.72	8.71	8.74
SPAIN		11.900	07/96	99.6100	+0.010	11.98	11.70	11.51
UK GILTS		10.000	11/96	100-27	-04/32	9.78	9.84	9.85
		10.000	02/01	101-19	-08/32	9.73	9.64	9.87
		9.000	10/08	95-22	-05/32	9.52	9.48	9.65
US TREASURY *		7.875	08/01	100-24	-12/32	7.39	7.41	7.57
		8.125	08/21	100-26	-23/32	7.93	7.80	8.02

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal. Technical Data/ATLAS Price Sources

HK proposes watchdog for Forex market

THE HONG KONG government has proposed a market practices committee to watch the foreign exchange and money markets, Reuter reports from Hong Kong.

Mr Joseph Yam, director of the Exchange Fund Office, said the committee would be only an advisory body without statutory powers and the government's role would be limited.

"But I hope it will be possible to ensure compliance of its guidelines through the associations represented on it," he said. Under the proposal, Mr Yam would chair the committee, and other represented bodies would include the HK Association of Banks.

Other bodies to be invited to join the committee would be the HK Deposit-Taking Companies Association, the HK Foreign Exchange and Deposit Brokers' Association, the Forex Association and the HK Society of Accountants.

The committee would recommend guidelines for the markets, including a code of conduct for dealers and brokers.

Chile power leader seeks finance for $470m dam

By Leslie Crawford in Santiago

ENDESA, Chile's biggest electricity company, is seeking foreign finance for a $470m hydro-electric dam in what could be a test case for the lending policies of the Inter American Development Bank.

The IADB played an active role in financing Chilean hydro-electric projects before their privatisation in the late 1980s. About 35 per cent of its loans to Chile were channelled to the state-owned energy sector.

Endesa is the first privatised company to ask the IADB for funds, and is seeking a $50m loan. Mr Jorge Bianco, an IADB energy specialist, said he needed the go-ahead from head office before starting work on the project details.

"The problem is that not all member-countries are in favour of lending to the private sector," he said. "They fear the extra risk would jeopardise the IADB's AAA bond rating and raise its cost of funds."

Chile has inaugurated three new hydro-electric power stations in the past year, all ahead of schedule and under budget. With electricity demand growing at 5.5 per cent a year, Chile must double its generating capacity every 10 to 12 years.

Pangue, the first project Endesa will finance as a private-sector company, must be ready by April 1997. To remain on schedule, Endesa needs to tie up the $470m financial package by the middle of next year.

Endesa and other investors will put up $188m in equity capital and suppliers' credits will contribute $90m. Endesa is seeking a $55m credit from the World Bank's International Finance Corporation (IFC) and hopes the IFC will lead a syndicated credit for another $50m. If the IADB turns down Endesa's $50m request, then the company may consider tapping the Eurobond markets.

This it could do with relative ease. Endesa generates 50 per cent of Chile's electricity and is the country's biggest and most profitable private-sector company. Profits rose by 61 per cent to $143m in the first nine months of 1991. Endesa shares are the most widely traded on the Santiago bourse.

ANZ turns in 35.5% fall to A$266m for year

By Kevin Brown in Sydney

AUSTRALIA and New Zealand Banking Group (ANZ) yesterday announced a 35.5 per cent fall in net profits to A$266m (US$210m) for the year to the end of September, confirming that Australia's leading banks continue to be hit hard by recession and bad debts.

Mr Milton Bridgland, chairman, said the result followed "one of the most difficult years we could expect to see in Australia." The domestic economy contracted for most of the period, but figures due to be released next month are expected to show some growth in the final quarter.

Mr Bridgland said ANZ had suffered most in Victoria, its home state, which has been badly affected by business failures because of its heavy manufacturing concentration.

However, he said there were "encouraging signs" that the worst of the downturn may be over. "Our business bottomed in the first half of 1991," he said. Provisions for doubtful debts were significantly lower in the second half, and non-accrual loans peaked in June.

ANZ said operating profits before tax increased by 8.9 per cent to A$1.5bn. However, the charge for provisions against doubtful debts increased by 32.8 per cent to A$1,053m. Non-accrual loans increased by 125.7 per cent to A$3,603m.

The group said economic conditions had a big impact on Esanda Finance Corporation, its specialist finance subsidiary, which recorded a loss of A$42.5m, compared with a profit of A$44m last year. However, accounts in arrears had fallen since April, suggesting that a recovery in earnings quality should follow.

The Australian business banking division lost A$282m, compared with net profits of A$182m for Australian retail services, A$46m for institutional financial services, A$194m for international banking, and A$83m for the New Zealand division.

Directors declared a fully-franked final dividend of 10 cents, compared with 16 cents last year, making a 20 cents total, compared with 38 cents. The board warned that ability to generate franking credits was being constrained by the its Australian operations.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:05 pm on November 20

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105⅝	106		6.85
ALBERTA PROVINCE 9 3/8 95	600	108¼	108½	−⅛	6.94
AUSTRIA 8 1/2 00	400	104⅛	104⅝	−⅛	7.77
BANK OF TOKYO 8 3/8 96	100	103½	104	+¼	7.39
BELGIUM 9 5/8 98	250	110⅛	110½		7.61
BFCE 7 3/4 97	150	102⅝	103	+½	7.15
BNP 8 5/8 94	300	105⅛	105½		6.47
BRITISH GAS 8 3/8 99	350	104¼	104⅝		7.65
CANADA 9 96	1000	107¾	108¼	−⅛	6.80
CARCO 9 1/4 96	650	102⅝	103⅛	−⅛	8.53
CCCE 9 1/4 95	300	107⅝	108	−⅛	6.57
COUNCIL EUROPE 8 96	100	103⅜	104⅛	+⅛	7.02
CREDIT FONCIER 9 1/2 99	300	110⅛	110⅝	+⅛	7.62
DENMARK 8 1/4 94	150	104⅝	104⅞	+⅛	6.34
DENMARK 9 1/4 95	1571	107⅝	108		6.61
ECSC 8 1/4 96	193	105⅛	105⅝		7.00
EEC 8 1/4 96	100	104⅝	105⅛	+⅛	7.02
EIB 7 3/4 96	250	103⅛	103⅝		6.92
EIB 9 1/4 97	1000	109¼	109½	−⅛	7.31
ELEC DE FRANCE 9 98	200	107½	107⅞	+⅛	7.45
EURO CRED CARD TST 9 94	325	104⅝	105⅛	+⅛	7.17
EUROFIMA 9 1/4 96	100	107	107⅜	−⅛	7.28
EXPORT DEV CORP 9 1/2 98	150	109⅞	110⅛	+⅛	7.54
FINLAND 7 7/8 97	200	102⅝	103		7.33
FINNISH EXPORT 9 3/8 95	200	108	108⅜	−⅛	6.97
FORD CAPITAL 9 3/4 97	250	105⅛	105⅝	−⅛	8.50
GEN ELEC CAPITAL 9 3/8 96	300	107⅝	108⅛	+⅛	7.29
GMAC 9 1/8 96	200	104⅜	104⅞		7.87
GUINNESS FINANCE 8 94	200	103½	104	+⅛	6.49
IBM INTL FIN 7 3/4 94	200	103⅜	103⅞		6.18
IND BK JAPAN FIN 7 7/8 97	200	101⅛	101⅝	+⅛	7.51
INTER AMER DEV 7 5/8 96	200	102⅛	102⅝	+⅛	7.02
ITALY 8 1/2 94	1500	105⅝	106		6.29
JAPAN DEV BK 8 94	150	103⅞	104¼	+⅛	6.25
KANSAI ELEC PWR 10 96	350	109½	110⅛	−⅛	7.35
LTCB FIN 8 97	200	101⅛	101⅝	+⅛	7.69
NEW ZEALAND 9 94	850	105⅝	106⅛	−⅛	6.64
NIPPON CRED BK 10 3/8 95	150	108⅜	108¾	−⅛	7.66
NIPPON TEL & TEL 9 3/8 95	200	107¼	107⅝	−⅛	6.86
ONTARIO 8 1/2 01	600	102½	102⅞	−⅛	8.10
ONTARIO HYDRO 11 5/8 94	200	110⅛	110⅝	−⅛	6.49
OSTER KONTROLLBANK 8 1/2 01	200	103½	104	−⅛	7.94
PETRO-CANADA 7 1/4 96	200	100⅞	101⅛	+⅛	7.00
QUEBEC HYDRO 9 3/4 98	150	109¼	109¾		7.94
QUEBEC PROV 9 98	200	105⅜	105⅞	+⅛	7.88
SAINSBURY 9 1/8 96	150	106¾	107¼	+⅛	7.41
SAS 10 99	200	106⅞	107⅜	+⅛	8.74
SBAB 9 1/2 95	300	108⅛	108½	+⅛	6.81
SNCF 9 1/2 98	150	109⅝	110⅛	−⅛	7.59
STATE BK NSW 8 1/2 96	200	104	104½	+⅛	7.43
SWEDEN 8 1/8 94	150	104¼	104⅝	+⅛	6.30
TOKYO ELEC POWER 8 3/4 96	300	106⅛	106⅝		7.14
TOKYO METROPOLIS 8 1/4 96	200	104⅝	105⅛		7.11
WORLD BANK 8 3/8 99	1500	105⅛	105⅝		7.62
WORLD BANK 8 3/4 97	1500	107⅞	108¼	+⅛	7.06
XEROX CORPN 8 3/8 96	100	102⅝	103⅛	+⅛	7.76

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.62
COPENHAGEN TEL 8 5/8 96 LFr	600	98	98½		9.21
WORLD BANK 8 96 LFr	1000	96½	97½		9.08
ABN AMRO HOLDING 9 1/4 01 Fl	750	102⅝	103		8.79
UNILEVER 9 00 Fl	500	103⅛	103⅝		8.46
ALBERTA PROVINCE 10 5/8 96 C$	500	106⅛	106⅝	−⅛	8.74
BELL CANADA 10 5/8 99 C$	150	106¼	106⅝	−⅛	9.44
BRITISH COLUMBIA 10 96 C$	500	104⅛	104⅝	−⅛	8.73
EIB 10 1/8 98 C$	130	105⅞	106⅜	+⅛	8.85
ELEC DE FRANCE 9 3/4 99 C$	275	103⅞	104⅛	−⅛	9.02
FORD CREDIT CANADA 10 94 C$	100	102⅝	103⅛	−⅛	8.73
GEN ELEC CAPITAL 10 96 C$	300	104½	105	−⅛	8.73
KFW INT FIN 10 01 C$	400	104	104½	−⅛	9.32
NIPPON TEL & TEL 10 1/4 94 C$	200	105½	106	−⅛	9.23
ONTARIO HYDRO 10 7/8 99 C$	500	107⅝	108	−⅛	9.37
OSTER KONTROLLBANK 10 1/4 99 C$	150	105⅝	106⅛	−⅛	9.14
QUEBEC PROV 10 1/2 98 C$	200	105⅞	106¼	−⅛	9.37
BELGIUM 9 1/8 96 Ecu	1250	100	100½	−⅛	9.10
CREDIT LYONNAIS 9 96 Ecu	125	98⅞	99⅜		9.50
DENMARK 7 5/8 96 Ecu	250	92⅞	93⅜	+⅛	9.73
EEC 7 5/8 94 Ecu	200	96⅛	96⅝	−⅛	9.57
EIB 10 97 Ecu	1125	104	104½	−⅛	8.99
FERRO DEL STAT 10 1/8 98 Ecu	500	103½	104	−⅛	9.28
ITALY 10 3/4 00 Ecu	1000	109⅛	109⅝	−⅛	9.11
UNITED KINGDOM 9 1/8 01 Ecu	2750	101⅛	101½	−⅛	8.89
BP AMERICA 12 1/4 96 A$	100	107½	108		9.98
COMM BK AUSTRALIA 13 3/4 99 A$	100	117½	118		10.36
EKSPORTFINANS 12 3/8 95 A$	75	108⅞	109⅜	−⅛	9.27
EUROFIMA 14 5/8 94 A$	75	111⅛	111⅝		9.30
MCDONALDS CANADA 15 95 A$	100	114⅝	114⅞	−⅛	10.60
NAT AUSTRALIA BANK 14 3/4 94 A$	150	110⅛	110⅝	+⅛	9.45
STATE BK NSW 14 1/4 99 A$	100	117⅛	117⅝	−⅛	10.88
UNILEVER AUSTRALIA 12 98 A$	150	108⅛	108⅝		10.15
VOLKSWAGEN INTL 15 94 A$	100	110⅝	111⅛	−⅛	9.77
ABBEY NATL TREAS 13 3/8 95 £	100	107⅛	107⅝		10.63
ALLIANCE & LEICS 11 3/8 97 £	100	101⅛	101⅝		11.05
BRITISH GAS 12 3/4 95 £	300	106	106½	−⅛	10.43
DEUTSCHE BK FIN 11 94 £	225	101⅛	101⅝		10.22
EIB 10 97 £	536.5	99⅛	99⅝		10.08
FINLAND 10 1/8 97 £	100	100	100½	+⅛	10.10
INTER AMER DEV 11 3/8 95 £	75	103⅛	103⅝		10.18
ITALY 10 1/2 14 £	400	99	99½	−⅛	10.60
LAND SECS 9 1/2 07 £	200	85⅛	85⅝	−⅛	11.59
NORWAY 10 1/2 94 £	200	100⅜	100⅞		10.19
ONTARIO 11 1/8 01 £	100	103	103½	−⅛	10.58
SEVERN TRENT 11 1/2 99 £	150	102⅝	103	−⅛	10.97
SKANDINAVISKA ENSK 13 1/8 95 £	100	106	106½		10.80
TOKYO ELEC POWER 11 01 £	150	103⅛	103⅝	−⅛	10.42
WORLD BANK 11 1/4 95 £	100	103⅛	103⅝	+⅛	10.10
ABBEY NATIONAL 0 96 NZ$	100	63⅞	64⅜		9.68
BNP 12 96 NZ$	50	109½	110⅛		9.25
CEPME 10 95 FFr	2000	102⅛	102½	−⅛	9.25
ELF-AQUITAINE 9 93 FFr	600	99⅜	99⅞	−⅛	9.13
EURATOM 7 5/8 98 FFr	500	92⅞	93⅜		9.12

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: [illegible]
CONVERTIBLE BONDS: [illegible]

Who's Who in Eastern Europe?

If there were a "Who's Who" for Central and Eastern Europe, the publisher would have to put out a new edition almost every day.

Budapest, Moscow, Prague, Warsaw: We're there to serve you.

It has been only two years since the dawn of the free-market era.

The command economy has virtually ceased to exist, even in the country that invented it.

The Comecon trading bloc has been formally dissolved, documenting the desire of each member state to participate more fully in the world economy.

Both East and West stand to benefit from the trend toward closer commercial ties.

With a population of over 300 million, Eastern Europe represents a huge market for goods and services – one whose potential is increasingly being recognized by western firms with an eye to the future.

But for all the new opportunities, times of sweeping change are also times of risk. The transition to a market economy is taking on different forms and proceeding at various speeds across the region.

So to make sure that the uncertainties of doing business in the East remain manageable, western firms and investors need more than just a pioneer spirit.

If you've set your sights on long-term success, you'll need persistence, unconventional ideas and a willingness to implement them in unorthodox ways.

And you'll have to find the right local partner for your particular business venture. But how are you to know who's who in the East? And where are the prospects best for the kind of operation you have in mind?

Because western companies find it difficult to assess events in the East from a distance, they do the logical thing – they talk to us.

Dresdner Bank has a tradition of excellent contacts throughout Central and Eastern Europe. Indeed, we were the first West European bank to open a Moscow office, with Warsaw, Prague and Budapest soon following. We are also a managing partner in a newly formed Budapest commercial institution, BKD Bank. Prague is soon to follow, and expansion to other cities is planned as well.

Thanks to this longstanding presence and our first-hand knowledge of political and economic developments, we can better evaluate the opportunities and risks awaiting western exporters, importers and investors. The end result is practical advice tailored to specific business needs.

DOWC Ost-West-Consult, a member of the Dresdner Bank Group, focuses exclusively on consulting services for companies looking to do business with our eastern neighbors.

Our consulting professionals augment their own in-depth experience in the various national business environments by tapping the resources of "drekontakt", a kind of electronic "Who's Who" for Central and Eastern Europe providing continuously updated information on potential partners and financing strategies.

If you would like to know who's who in Eastern Europe, there's an easy way to find out.

Talk to us.

Dresdner Bank

INTERNATIONAL CAPITAL MARKETS

UK banks poor in 'real' profitability table, says agency

By Simon London

THREE of the UK's big four clearing banks made a return on equity below the rate of inflation on capital during the last financial year, according to IBCA, the London-based credit-rating agency.

The agency assessed the real profitability of 300 international banks. "Real" profitability was calculated by adjusting return on capital for inflation.

National Westminster, Barclays and Midland Bank all made a negative return on capital in real terms, as did Citicorp, the largest US bank.

In total, 60 banks surveyed made a return on capital below the inflation rate.

The most profitable bank in the survey for the third year running was Banco Popular Espanol, the Spanish institution.

Five other Spanish banks appeared in the top 40 most profitable institutions.

The most profitable UK institutions are those which focus on mortgage lending. Three appear in the top 50 – Cheltenham & Gloucester, Alliance & Leicester and Abbey National – with several more building societies close behind.

The Japanese banks remain relatively unprofitable despite their huge balance sheets. For example, Dai-Ichi Kangyo bank, the world's largest in terms of assets, ranks at number 221 in terms of return on capital.

The most profitable of the Japanese banks is Sumitomo, the world's second largest bank in asset terms, which is ranked number 145 in terms of profitability.

Banks which experienced a dramatic fall in profitability included SEBanken, the Swedish finance house, which fell from the 14th most profitable institution in 1989 to be 122nd most profitable last year.

IBCA commented that "this may only be a foretaste of the tumble all Swedish banks are likely to suffer in 1991".

Lifetime trading ban for main Osler shareholders

By Bernard Simon in Toronto

THE Ontario Securities Commission has imposed a lifetime trading ban on the three main shareholders of Osler, a Toronto brokerage firm which collapsed four years ago.

The ban, which is the most severe punishment meted out by a Canadian securities watchdog, follows a lengthy hearing which the OSC said had uncovered "overwhelming evidence of dishonesty" on the part of Mr Len Gaudet, Osler's chairman, and his two associates, Mr Paul Cohen and Mr Tony Chesnutt.

Mr Gaudet enjoyed one of the most high-flying lifestyles in the Toronto investment community during Osler's heyday in the mid-1980s.

The OSC also imposed trading bans, ranging from one to 20 years, on four other people involved in the Osler collapse.

The firm's problems stemmed from efforts to recoup relatively modest bond trading losses in 1986.

Far from turning the losses around, the firm resorted to an intricate cover-up operation, with large amounts of money also being siphoned off for the personal gain of the principals.

By the time the firm collapsed in December 1987 it had run up losses of C$38m (US$33.7m).

The main victim was the Canadian Co-operative Credit Society, the lender of last resort to Canada's credit union movement, which lost C$25m.

A CCCS money-market trader was implicated in the cover-up and has been banned from trading for 20 years.

SBC in first Eurobonds buy-back on own account

By Tracy Corrigan

SWISS Bank Corporation is to tender for up to $230m of Eurobonds issued by the Commonwealth Bank of Australia, which it is buying for its own account. It is believed to be the first public buy-back in the Eurobond market by a bank for its own account, rather than on behalf of a particular borrower.

The bank is targeting two specific Eurobonds – the 11 per cent issue due 1995, of which $83m is outstanding, and the 11¼ per cent issue due 1995, of which $147m is outstanding. The tender reflects the view that Australian state and state-guaranteed entities "are undervalued credits in the US dollar bond markets," said Mr Stephen Oristaglio, managing director, fixed income.

Tender prices will be fixed at a spread of 65 basis points above the interpolated Treasury yield. However, SBC will be paying a ½-point commission to tender panel members, which will result in an all-in cost for SBC of 51 basis points above Treasury yield. SBC hopes the tender format will root out retail holdings which were missed in earlier programmes.

The Australian government, which has held several tenders to repurchase its own outstanding debt, has given its approval. The bank plans to sell the bonds at a later date to Australian investors, through its link up with Dominguez Barry, the Australian investment bank, in which Swiss Bank bought a 60 per cent interest from Midland Bank earlier this year.

Merger forms key Belgian brokerage

BELGIAN stockbrokers Branquart, Costermans, Eliot, Vanderborght and Claude Joseph are to merge, Reuter reports from Brussels. The combined group will have consolidated own funds of more than BFr150m, putting it among the top brokerages on the Brussels bourse. It will be named Branquart, Costermans, Eliot, Vanderborght & Joseph.

Individual options languish despite D-share deadline

By Tracy Corrigan

AN ENTHUSIASTIC take-up of the London International Financial Futures Exchange's 'D' share offering, which closes this evening, will be no more than a first step in a drive to rejuvenate stock option trading when Liffe merges with the London Traded Options Market in January.

Four hundred 'D' shares, priced at £15,000 each, are on offer. Each gives its holder the right to have one trader on the floor of the new exchange to trade equity options. The minimum of 200 shares, which has to be taken up for the merger to go ahead, is expected to be met comfortably.

However, despite plentiful applications, individual stock options may still be neglected as many firms plan to concentrate their resources on the exchange's higher-volume index-linked products.

LTOM's failure to boost trading volume in individual stock options was part of the merger's *raison d'être*. However, the new exchange now has to prove that the juxtaposition of successful interest rate products can help boost business in instruments which languished on LTOM.

Such a turnaround is only likely if members are willing to commit resources to a market whose future is still uncertain. If volume fails to pick up, Liffe will consider a switch to screen-based trading.

"We are not anticipating dramatic growth in individual stock options," said the head of equities at one leading market maker.

Most firms say they will be concentrating their efforts on index products, where there is the greatest potential for growth. "We expect volumes in FT-SE futures and options to expand dramatically" after the merger, said Mr David Heron, Capel's head of derivatives, which is applying for 12 shares.

Mr Hugh Morshead, of GNI, which expects to take up its three priority applications, said his firm would focus on FT-SE 100 index options and other country indices, rather than on pan-European products like Eurotrack.

UBS Phillips & Drew, which has applied for 13 shares, is bullish on the Eurotrack 100 European index products, even though volume has been extremely low to date. Developing that contract fits with the firm's "pan-European approach".

However, a few firms are optimistic about the prospects for individual options.

"We are more bullish on stock options than seems to be common," said Mr David Roden, head of options trading at BZW Securities, which is applying for 15 shares. He added that the firm was "happy to commit resources, market-making capital and traders, with a view to at least helping the market on its way."

However, it is generally accepted that a genuine market will not emerge without a viable number of participants.

While the general take-up of the share offering is expected to be strong, smaller players may be squeezed out of the larger marketplace.

Brown Shipley Stockbroking, one of the few provincial dealers to generate sufficient volume on LTOM to have a priority application, is unlikely to take up its seat because of the increased costs of service changes and agency fees involved.

Mr Phillip Dyson, a director, believed that, for firms like Brown Shipley, it was becoming "more and more difficult to deal in stock options". The bias of Liffe, undoubtedly the dominant partner in the merger, towards institutional rather than retail business could reinforce this trend.

DTB STUDIES LINKS OUTSIDE GERMANY

THE BOARD of Deutsche Terminbörse is discussing plans to extend the German futures exchange's trading network outside Germany, writes Tracy Corrigan.

Initially, the DTB would offer computer terminals to members' overseas offices. German exchange law currently prevents the DTB from offering terminals to firms outside Germany unless they have a unit which is a member of the exchange.

An official at the DTB said that such an extension of the DTB network was technically possible.

Overseas members would be able to participate in all DTB products, which included German bond futures, German stock index instruments and individual stock options.

The move would step up the exchange's battle for dominance of the bund futures market with the London International Financial Futures Exchange (Liffe). The DTB has substantially increased its market share in German bund futures, helped by the suspension of transaction fees on the bund contract in August. An official said that the fees holiday would end in the middle of next year.

However, the exchange was working to reduce computer costs for members, an official said.

Meanwhile, the exchange is negotiating with the Chicago Board of Trade about establishing 24-hour trading in the Bund contract. Structural differences between the two markets are proving a stalling point.

Japanese bank bravely dips a toe in Canadian sector

By Tracy Corrigan

INTERNATIONAL BONDS

THE Export-Import Bank of Japan braved this week's volatile market conditions to launch a C$300m issue of six-year Eurobonds, which paid the price when the underlying Canadian government bond market sank ¾ point.

According to lead-manager UBS, the deal, launched early yesterday, had been almost entirely sold by Toronto opening, when the sell-off started, spurred by fears about the currency.

Dealers said the bonds met firm initial demand despite a rather aggressive pricing, due to the rarity of Japanese agency names in this sector, which prompted both European and Far Eastern buying. In addition, the relatively large size of the issue means it will be a trading benchmark.

The deal was launched at a spread of 35 basis points above the March 1997 government bond, but some dealers complained that the deal was tighter over the interpolated yield curve. The spread tightened to 31 basis points, while the price fell to 99.25 bid, from a fixed re-offer price of 99.80.

Meanwhile, the European Coal and Steel Community, an arm of the European Community, postponed a Eurobond issue, due to be launched yesterday, as a result of growing uncertainty about possible changes to Italian withholding tax. The mandate to arrange the issue, expected to be L400bn to L500bn, had not yet been awarded.

Currently, Italian investors do not have to pay withholding tax on bonds issued by international agencies like the ECSC, the European Investment Bank and the European Community. However, there are budget proposals to change the taxation of Italian entities like Ferrovie, which are also currently tax exempt, in order to charge at 12½ per cent withholding tax, in line with government bonds. Fears are mounting that international agencies may also be brought into this category, and prices fell by as much as a point in some deals.

However, it is unclear whether existing tax exempt paper would be excluded from such a change.

In the domestic sterling market, The Housing Finance Corporation, a specialist agency which lends to housing associations, launched a £100m issue of 11½ per cent debentures due 2016. The paper, secured on housing association loans, was mainly sold to UK life insurance companies, which need long-dated assets for match-funding purposes, according to lead manager Samuel Montagu.

Elsewhere, Société Nationale des Chemins de Fer Français, the French state-owned railway, raised FFr2.5bn split between the domestic and international markets. The fungible issue of 9 per cent bonds due 2003 now totals FFr14.7bn.

● The Ukraine's fledgling national bank, pushing ahead with plans to introduce its own currency, has signed a contract in Canada to print banknotes, Reuter reports from Kiev.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
ECUs						
Banque Indosuez(a)†	60	9⅝	102	1996	1.8/1½	Daiwa Europe
CANADIAN DOLLARS						
Export Import Bk.of Jap.(a)†	300	8½	101.40	1997	27½bp	UBS Phillips & Drew
YEN						
Fujitsu(a)†	50bn	6.3	101.60	1997	1⅞/1¼	Nikko Europe
FRENCH FRANCS						
SNCF(b)†	2.5bn	9	99.628	2003	35bp	Banque Paribas/BNP
SWISS FRANCS						
Nichias Corp(c)★★♦	100	4½	100	1995	-	Credit Suisse

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) 2 tranches; domestic tranche FFr1.4bn, international tranche FFr1.1bn. Amount may be raised by 20% until 27/11/91. Fungible with existing FFr12.2bn deal. Non-callable. c) Callable at 101% on 11/12/95 declining ½% annually.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Nov 20 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue Nov 19 Index No.	Mon Nov 18 Index No.	Fri Nov 15 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (181)	769.01	+0.1	9.08	6.34	14.02	32.12	768.04	782.21	792.08	717.37
2	Building Materials (23)	930.88	+0.1	7.87	6.69	16.79	41.35	930.07	960.75	973.65	962.28
3	Contracting, Construction (30)	1011.94	......	7.90	7.27	18.06	50.73	1012.49	1026.24	1043.33	1149.50
4	Electricals (11)	2386.38	+0.2	9.07	6.12	13.98	98.23	2381.85	2405.78	2443.83	1887.05
5	Electronics (25)	1674.47	-0.4	11.07	5.70	11.48	51.95	1680.61	1698.61	1730.03	1626.73
6	Engineering-Aerospace (8)	339.36	+1.3	16.52	7.65	7.31	18.52	335.05	342.26	344.33	415.83
7	Engineering-General (43)	464.88	+0.1	10.48	5.38	11.75	16.79	464.60	470.07	477.07	354.88
8	Metals and Metal Forming (9)	337.12	+1.7	2.19	10.51	–	18.43	331.51	345.75	351.11	386.25
9	Motors (12)	311.21	-0.4	8.32	7.74	15.96	17.56	312.45	319.19	323.13	289.25
10	Other Industrial Materials (20)	1518.74	+0.1	8.27	5.37	14.37	57.59	1517.70	1538.00	1549.65	1212.35
21	CONSUMER GROUP (190)	1551.79	+0.4	7.43	3.62	16.65	36.47	1545.55	1565.28	1601.30	1203.54
22	Brewers and Distillers (22)	1879.81	+0.1	8.22	3.58	14.79	38.33	1877.59	1908.80	1939.78	1531.15
25	Food Manufacturing (19)	1177.93	+0.5	9.73	4.28	12.73	30.09	1171.81	1186.74	1209.32	1012.08
26	Food Retailing (17)	2268.92	-0.1	10.02	3.63	12.98	58.06	2270.41	2309.95	2383.89	2266.33
27	Health and Household (23)	4095.96	+0.8	5.02	2.35	22.86	67.75	4062.45	4104.54	4247.65	2393.46
29	Hotels and Leisure (24)	1308.22	......	7.79	5.38	15.87	45.61	1307.88	1325.32	1347.88	1222.25
30	Media (26)	1424.55	+0.4	7.38	5.01	17.70	47.37	1418.48	1444.74	1471.11	0.00
31	Packaging, Paper & Printing (17)	734.47	-0.4	7.35	4.52	16.49	24.09	737.64	748.37	766.24	499.44
34	Stores (32)	1016.95	+0.5	7.45	3.65	17.58	25.03	1011.82	1018.81	1030.86	824.18
35	Textiles (10)	628.35	+0.5	7.40	4.94	17.22	19.91	624.92	626.72	640.26	422.50
40	OTHER GROUPS (118)	1199.94	+0.4	9.91	5.45	12.74	36.29	1195.45	1214.88	1232.49	983.89
41	Business Services (12)	1358.27	+0.9	7.28	4.81	17.43	39.29	1346.28	1366.59	1378.66	0.00
42	Chemicals (21)	1396.69	+0.7	7.13	5.24	17.42	48.39	1387.24	1397.66	1411.62	1031.67
43	Conglomerates (11)	1387.31	+0.9	10.41	7.55	11.64	38.87	1374.82	1394.43	1418.19	1295.57
44	Transport (13)	2301.82	+0.7	5.80	4.94	22.17	68.25	2286.19	2303.76	2310.56	1827.68
45	Electricity (16)	1171.16	+0.7	15.00	5.56	8.69	27.53	1163.47	1170.84	1182.87	0.00
46	Telephone Networks (4)	1413.21	-0.6	10.93	4.41	11.98	28.34	1421.64	1456.04	1485.68	1136.95
47	Water (10)	2261.89	+0.1	18.28	6.86	6.05	125.82	2260.14	2295.11	2358.02	2054.76
48	Miscellaneous (23)	1774.69	+1.0	5.55	5.56	24.94	70.30	1757.93	1808.26	1832.29	1495.38
49	INDUSTRIAL GROUP (481)	1244.07	+0.3	8.51	4.69	14.72	35.98	1239.80	1258.27	1281.46	1018.20
51	Oil & Gas (19)	2308.62	+0.6	11.32	6.02	11.67	103.73	2293.93	2305.10	2332.75	2291.11
59	500 SHARE INDEX (500)	1335.98	+0.4	8.85	4.85	14.27	41.31	1330.92	1349.13	1372.95	1122.73
61	FINANCIAL GROUP (91)	746.79	+0.2	–	6.24	–	32.19	745.38	762.73	771.95	716.41
62	Banks (9)	874.62	+0.2	4.76	6.10	39.69	37.46	872.72	894.51	902.57	767.59
65	Insurance (Life) (7)	1455.87	+0.3	–	5.82	–	63.68	1451.16	1465.67	1480.70	1286.58
66	Insurance (Composite) (6)	539.94	+0.4	–	8.13	–	32.94	537.62	557.80	566.16	623.84
67	Insurance (Brokers) (10)	1010.75	-1.9	8.08	6.58	16.29	43.14	1030.11	1073.48	1098.89	950.49
68	Merchant Banks (7)	476.54	-1.9	–	4.50	–	13.08	485.56	488.33	498.05	345.71
69	Property (35)	866.37	+1.1	6.24	5.38	22.64	25.28	856.77	874.52	883.74	976.22
70	Other Financial (17)	243.11	-0.1	11.66	7.11	10.79	11.72	243.33	244.63	250.15	244.43
71	Investment Trusts (70)	1181.65	+0.7	–	3.66	–	29.18	1173.05	1184.34	1213.14	1004.44
99	ALL-SHARE INDEX (661)	1194.77	+0.4	–	4.99	–	38.60	1190.42	1208.01	1228.71	1022.31

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 19	Nov 18	Nov 15	Nov 14	Nov 13	Year ago
FT-SE 100 SHARE INDEX♦	2472.6	+9.5	2485.6	2469.7	2463.1	2502.9	2546.6	2561.6	2546.5	2126.3

FIXED INTEREST

	PRICE INDICES	Wed Nov 20	Day's change %	Tue Nov 19	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (29)	122.01	....	122.01	1.93	10.75
2	5-15 years (27)	134.92	-0.04	134.98	2.45	11.84
3	Over 15 years (8)	143.58	+0.01	143.56	2.35	11.50
4	Irredeemables (6)	156.89	+0.03	156.85	0.83	13.45
5	All stocks (70)	133.16	-0.02	133.19	2.28	11.60
	Index-Linked					
6	Up to 5 years (2)	167.74	+0.02	167.71	0.51	3.16
7	Over 5 years (9)	150.21	+0.08	150.09	1.01	3.83
8	All stocks (11)	151.49	+0.07	151.39	0.93	3.81
9	Debs & Loans (68)	113.16	-0.06	113.23	2.11	9.62

	AVERAGE GROSS REDEMPTION YIELDS		Wed Nov 20	Tue Nov 19	Year ago (approx.)
	British Government				
1	Low	5 years	8.61	8.60	10.14
2	Coupons	15 years	9.48	9.48	10.49
3	(0%-7¾%)	20 years	9.48	9.48	10.51
4	Medium	5 years	9.77	9.75	11.13
5	Coupons	15 years	9.61	9.61	10.97
6	(8%-10¾%)	20 years	9.56	9.56	10.92
7	High	5 years	9.99	9.97	11.26
8	Coupons	15 years	9.69	9.69	11.18
9	(11%-)	20 years	9.61	9.61	11.24
10	Irredeemables		9.68	9.68	10.77
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	3.74	3.74	3.80
12	Inflation rate 5%	Over 5 yrs	4.22	4.22	4.18
13	Inflation rate 10%	Up to 5 yrs	3.08	3.08	2.49
14	Inflation rate 10%	Over 5 yrs	4.03	4.03	3.98
15	Debs &	5 years	11.36	11.35	13.41
16	Loans	15 years	11.19	11.18	12.93
17		25 years	11.02	11.01	12.60

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	12	44	26
Corporations, Dominion and Foreign Bonds	0	8	12
Industrials	244	230	1,010
Financial and Properties	140	108	516
Oils	8	29	53
Plantations	0	0	10
Mines	14	27	112
Others	25	88	51
Totals	443	534	1,790

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

LONDON TRADED OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Alld Lyons (*594)	550	49½	71½	77½	8½	15	22½
	600	22	42	49½	29	35½	44½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
BAT Inds (*620)	600	19½	44	53½	¼	12	20½
	650	½	16½	28½	30	34½	45½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Lonrho (*224)	220	9	14	17½	4	13½	16½
	240	2	6½	10½	17½	27½	30
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADITIONAL OPTIONS

● First Dealings Nov. 18
● Last Dealings Nov. 29

British Steel, Cabra Ests., Chrysa- [illegible]

UK COMPANY NEWS

RHM up 15% despite bread setback

By Michiyo Nakamoto

RANKS HOVIS McDougall warned that intense price competition in the bread market would continue to affect profits.

The statement came as the foods group, which makes Hovis bread and Mr Kipling cakes, announced a 15 per cent rise at the pre-tax level, from £131m to £150.2m.

The results for the year to August 31 reflected record profits from five of the companies, but a setback in the core milling and bread baking operations which suffered difficult trading in the face of competition from lower price bread.

Profits from the core business have slipped in the past few years and fell from £62m to £59.8m this time.

Meanwhile, the effects of the cut price strategy being launched by some competitors was likely to hurt profitability in the short term.

"We have no choice but to sweat it out," said Mr Stanley Metcalfe, chairman.

The price war affected the group's white sliced bread, which accounts for about 35 per cent of its bread business. It was now a very efficient producer, having cut the number of bakeries from 64 ten years ago to 19, which in turn increased productivity threefold. It has also invested in technology and marketing.

"I'm not discouraged by the position of RHM," Mr Metcalfe said. It is financially strong and its 28 per cent market share will not be affected.

It has restructured operations, selling part of its businesses and closing some principal sites. These steps led to an extraordinary charge of £25.6m (profit £130.4m).

In the US, the recession, abnormal peanut and tomato crops all contributed to a fall in sales and margins.

Other businesses performed better, with Manor Bakeries, which makes Mr Kipling and Cadbury cakes, grocery and food services reporting higher volume and profits.

The group, which has 90 per cent of its sales in the UK and some 10 per cent in the US, is continuing to focus on continental Europe, where it already supplies bread to all the Marks and Spencer stores, for further expansion.

Trading profit was down to £145.7m (£179.8m). The increase in taxable income was helped by net interest earned of £6.7m, compared with a previous net interest charge of £29.6m and the absence of exceptionals costs compared with £17m last year. The group has a net cash balance of £78m.

Turnover, not including disposed businesses, rose to £1.53bn (£1.51bn). Earnings per share were 29.5p (24.8p) and a final dividend of 9.54p gives a total of 13.36p (12.74p).

See Lex

Willis Corroon falls to £89m at nine months

By Richard Lapper

SOFTNESS IN US insurance rates restricted profit growth at Willis Corroon, the international insurance and reinsurance broker.

The group yesterday reported a fall in pre-tax profits to £89m for the nine months to September 30, compared with £96m in the same period of 1990.

Last year's figures are measured on a pro-forma basis, taking into account the fact that Willis Faber and Corroon & Black merged their businesses in October last year.

Earnings per share were 14.1p compared with 15.5p for the same period of 1990.

Although the figures were in line with expectations, Willis' share price slipped back 13½p to 240½p on fears that the group may have to make heavier than expected provisions for underwriting losses at its Sovereign insurance subsidiary.

At June 30 Sovereign had incurred extraordinary after-tax losses of £4.9m. Further losses of £3.8m have arisen in the quarter to September 30.

The group's operating revenues amounted to £504.8m.

Operating expenses came to £388.5m with claims at insurance subsidiaries amounting to £28.4m.

Maxwell banks to try to rejig loans

By Robert Peston

NATIONAL Westminster Bank, lead banker to the Maxwell family's empire of private companies, was yesterday locked in crisis meetings with other banks in an attempt to initiate a formalised restructuring of £800m of loans to these private companies.

But there was speculation that some banks would in the meantime sell shares in Maxwell Communication Corporation, which they hold as security against some private company loans. So shares in MCC, the Maxwell family's main publicly quoted company, fell from 46p to a new low of 36p.

As a first step in a restructuring, NatWest is trying to provide terms acceptable to Swiss Bank Corporation, whose £55m loan to Adviser (188), a Maxwell vehicle, is in default.

SBC said it had no plans to call in receivers to the Maxwell company, even though it would not rule this out as an option.

However, SBC is insisting that the Maxwell family take steps to provide it with "value". In other words, it needs comfort that the loan is capable of being repaid.

If SBC is placated, NatWest will then attempt to persuade all other banks to agree to a six-month standstill – or freeze on principal repayments – covering loans to the private companies. During the standstill, the Maxwell family would be expected to make a business plan to pay off the loans.

SBC is embittered by the way its £55m loan went into default. Adviser, a subsidiary of Headington Investments, borrowed the money at the beginning of August for the acquisition of First Tokyo, the investment trust.

A condition of the loan was that Adviser should deliver First Tokyo's portfolio of shares to SBC, which SBC would keep as security for the loan. This portfolio, of Japanese shares, was valued at £45m at the end of 1990.

Adviser was expected to deliver the shares to SBC after it had completed the takeover of First Tokyo in the autumn. However, by the beginning of November, SBC had still not received the portfolio.

It therefore became alarmed about Adviser's ability to repay the loan, when it falls due next April. Bankers said yesterday that SBC could not get a satisfactory explanation from the Maxwell family for the absence of the shares or what had happened to them.

Nor was SBC happy with proposals from the Maxwells that it should take other private company assets as collateral instead.

The Serious Fraud Office is currently investigating the SBC loan.

COMPANY NEWS IN BRIEF

BEAZER: Hanson has extended its offer for the ordinary and preference shares until November 26.

CHEMRING GROUP has entered a joint venture with Wessex Water to develop and determine the agricultural and horticultural market potential of a sewage sludge treatment process known as Protox. They expect to complete investigations, including the product's likely market, by the end of March 1993.

ELECTROCOMPONENTS' subsidiary, Electro Lighting Group, has sold its distribution facility at Brackmills, Northampton, to GE-Thorn Lamps, a wholly-owned subsidiary of the US General Electric Corporation, for £9.54m.

HARTLEPOOLS WATER: Northumbrian Water has purchased 87,600 shares (11.97 per cent) at 950p apiece.

Improved margins lift Courtaulds to £96.4m

By Paul Abrahams

COURTAULDS, the specialist materials group, yesterday reported an 11 per cent rise, from £87.1m to £96.4m, in pre-tax profits for the six months to September 30.

The key element in the results, according to Mr Sipko Huismans, chief executive, was the improvement in operating margins from 9.1 per cent to 10.2 per cent.

Turnover rose slightly from £947.8m to £968m.

"Outside the Far East, economic conditions have been far from helpful to most of our businesses," said Mr Huismans.

"The US market improved during the second quarter, but the recovery petered out in September. It's not a second downturn, but it's just stopped improving."

The most profitable division was fibres and films which increased its profits from £24m to £38m on a lower turnover of £294m (£299m).

The acrylics businesses, benefiting from a closure of the Calais plant and downsizing in Barcelona, performed particularly well providing about half of the rise.

The coatings business reported profits of £28m (£26m), performance materials £9m (£10m), packaging £11m (£10m) and chemicals £16m (£19m).

Mr Huismans said the recession had not blown the company off course. Courtaulds would concentrate on businesses which required low capital cost and could be replicated from Europe to other parts of the world.

Earnings per share rose 7 per cent to 19.1p (17.8p). The interim dividend is increased 7.4 per cent to 3.65p (3.4p).

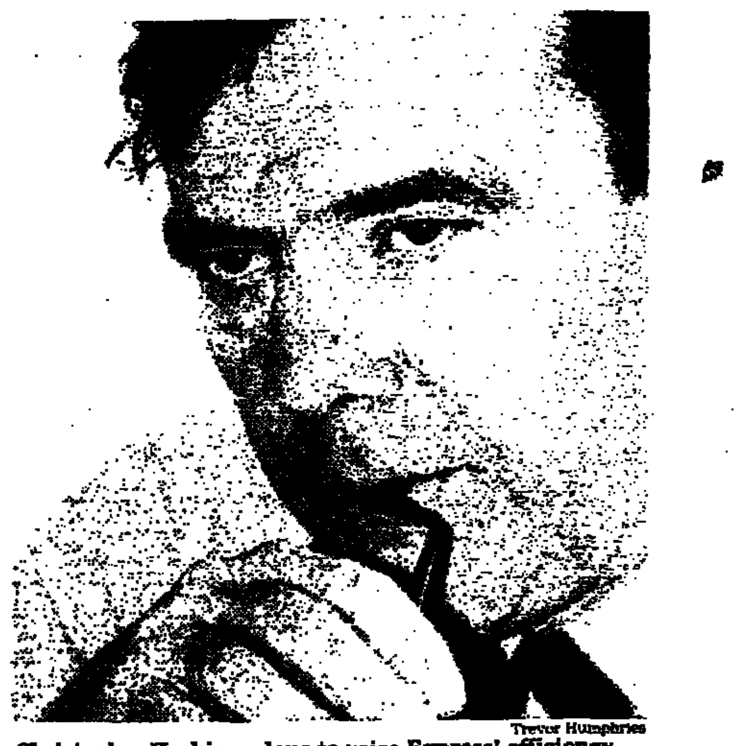
The shares closed up 3p at 476p.

● COMMENT

Courtaulds' management has a clear strategy that appears to be paying off. The benefits in shutting down excess acrylic capacity and exiting the carbon fibre business have been demonstrated. Its desire to expand in the Far East, while turning its back on the siren calls of eastern Europe also seems sound. There are some concerns: the investment in the US aerospace sealants business appears to have been poorly judged, timed just before the crash in demand from both the military and civil sectors. Nevertheless, given the company's discount to other chemical groups in the market, the shares look good value.

Celebrating the growth while waiting for a milk shake-up

Northern's sales will double with its Express buy



Trevor Humphries

Christopher Haskins: plans to raise Express' efficiency

MR CHRISTOPHER Haskins, chairman of Northern Foods, had reason to celebrate yesterday afternoon. In one day, he had reported a 16 per cent rise in first half pre-tax profits, earned a stock market welcome for a planned £227m rights issue and agreed an acquisition which promises to set his company on a new growth path.

The proposed purchase from Grand Metropolitan of Express Dairy's liquid milk and chilled dairy products businesses will more than double Northern Foods' dairy sales and transform it into one of the three largest players in the UK market.

Short term, the deal offers Northern profitable opportunities to apply its talents for cost-cutting, which it has already demonstrated in its dairy, meat, grocery and convenience foods operations in the past few years.

Longer term, the acquisition promises to strengthen the company's muscle as a milk buyer ahead of the long-awaited reform of the Milk Marketing Board (MMB) cartel and deepen its presence in the more profitable sectors of the dairy market.

The deal has still to run the gauntlet of government competition policy. However, Mr Haskins said yesterday that discussions with the Office of Fair Trading had left him confident that the watchdog would not recommend a reference to the Monopolies and Mergers Commission.

The enlarged group will have dairy sales of almost £1bn annually and expects to purchase about 13 per cent of UK milk production. It will command about 24 per cent of the £3bn liquid milk market – rivalling the leadership of Dairy Crest, the MMB's distribution arm – and 30 per cent of total yoghurt sales.

Geographically, the acquisition is a neat fit, adding about 1,800 Express milk rounds in the south of England to Northern's 4,000 rounds further north. Express' Eden Vale, Ski and Munch Bunch yoghurts, meanwhile, will provide brand strength which Northern, predominantly an own-label supplier to leading retail chains, has hitherto lacked.

Perhaps the most compelling argument for the deal is the scope it offers for rationalisation – a point repeatedly emphasised by Mr Haskins.

Increasingly a misfit in GrandMet's recent policy of focusing on internationally-branded products, Express has in recent years suffered from under-used capacity and unimpressive profits. Its margins on dairy products are only about 7 per cent, compared with the 11 per cent earned by Northern, the highest in the industry.

Mr Haskins plans to raise Express' efficiency to Northern's standards in the next two years by converting its milk rounds to franchises, as Northern has already done, re-allocating production and stripping out duplicated head office costs. He would not say whether plant closures would be needed.

How much the acquisition contributes to growth in the longer term will depend on the shape of the dairy market if and when the UK milk market is liberalised. At present, the MMB sets prices according to what milk is used for, at levels determined by the profitability of the final product.

Northern's assumption is that, in a free market, prices will tend to converge. That should increase input costs for products which involve relatively low added value, such as commodity cheese, and lower them for those which involve more sophisticated and expensive processing.

Though the timetable for change remains uncertain, that logic is accepted by many industry analysts. However, a few, such as Mr Alan Erskine of investment bank Salomon Brothers, have reservations.

Mr Erskine argues that profits on liquid milk sales, which will form the bulk of Northern's enlarged operations, could be squeezed once farmers are freed to sell milk directly to supermarkets, which are steadily gaining share at the expense of higher-priced doorstep deliveries.

Mr Haskins does not believe there is much danger of this happening. He argues that the investments in distribution systems needed to transport liquid milk to supermarkets are sufficiently large to limit severely the number of new entrants into the business.

Furthermore, supermarkets were less inclined to impose tough price pressure on suppliers of fresh products than of packaged groceries because of the special health and safety criteria applying to the former.

Given Northern's recent record, few in the City are inclined seriously to second-guess its management's judgments – as demonstrated by the response to yesterday's rights issue. Nonetheless, there was some mild disappointment that the company had chosen to deepen its involvement in the rather mature dairy products sector rather than focus on expanding in faster-growing businesses, such as chilled ready meals, where it is an undisputed market leader.

The optimists were pointing out, however, that if the Express acquisition generates the kind of financial returns Northern is hoping for in the next two to three years, it will provide plenty of cash for expansion in other fields.

Guy de Jonquières

Commercial Union drops £42.4m into the red

By Richard Lapper

MOUNTING commercial theft and reinsurance losses pushed Commercial Union, the UK composite insurer, into the red to the tune of £42.4m in the nine months to September 30.

The group made a profit of £27.2m in the same period of 1990. Losses per share were 9.8p compared with earnings of 3.9p. After realised investment gains earnings amounted to 2.6p (14.5p).

Non-life premium income grew to £2.14bn (£1.89bn) and life premium income to £945.5m (£812.7m). Investment income rose to £209.9m (£188.8m).

Life profits improved to £80.7m (£74.5m). However, underwriting losses of £338.1m (£236.1m), of which £157.7m (£92.2m) were incurred in the UK, dominated the figures.

The group has escaped the mortgage indemnity claims that have plagued other companies in the sector, having opted to stop underwriting such business in 1986.

However, it has been hit by recession-related losses such as rising levels of commercial crime. Underwriting losses from its UK commercial business as a whole amounted to £62.7m (£51.1m).

According to Mr Peter Ward, general manager of UK operations, commercial theft costs have risen by £7m. "The theft of personal computers from offices and shops has been enormous," said Mr Ward.

CU has also incurred heavy losses on its London market marine business. Marine losses amounted to £21m compared with a profit of £7m last year, largely reflecting the impact of catastrophes in 1989, claims from which are still being settled.

London market non-marine business has also deteriorated, with underwriting losses amounting to £21.8m compared with £11.3m last year.

Losses in UK personal lines business grew to £52.2m (£36.8m), although there was some improvement in the third quarter, especially in the motor sector which registered a small underwriting profit of £300,000 (£900,000).

ICI Colours sells French offshoot

ICI Colours is selling its Société des Colorants d'Oissel subsidiary to Crompton and Knowles of the US for an undisclosed amount which is less than 1 per cent of group assets.

The subsidiary produces pre-metallised dyes for textiles and Connecticut-based Crompton and Knowles is a leading US dyes supplier.

The sale reflects ICI Colours' plan to focus on the cotton and polyester colours segments as its core textile business areas. It will continue to make ink pigments at the Oissel site.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Courtaulds ......int	3.65	Jan 31	3.4	-	12
Forward Grp ......int	1	Dec 30	1	-	2.2
Northern Foods ......int	6.85†	Feb 21	6	-	14.5
Parkland Textile ......int	1	Jan 11	1.5	-	2.5
Ranks Hovis ......fin	9.54	Jan 24	8.92	13.36	12.74
Scantronic ......int	0.79	Jan 17	0.79	-	2.975
Shani § ......fin	2.4	Jan 16	2.4	4	4
Stratagem ......fin	4.5†	-	4	4.5	4
Vosper Thorny ......int	4.1	Jan 21	3.5	-	11.375
Wagon Industrial......int	6.325	Feb 20	6.325	-	17
Whitbread ......int	4.55	Jan 3	4.3	-	16.3
Willis Corroon ......int	3.3‡†	Jan 2	3.3	13.2	13.2

Dividends shown pence per share net except where otherwise stated.

Consumer spending fall leaves Whitbread lower

By Philip Rawstorne

WHITBREAD, the UK brewer and retailer, yesterday reported its first fall in profits for 16 years under the impact of the recession.

Pre-tax profits for the six months to August 31 fell 7 per cent from £152.8m to £142.5m due mainly to the decline, in real terms, of consumer spending. Bad weather and budget tax increases had added to the difficulties, Mr Peter Jarvis, chief executive, said.

Beer volume sales for the industry as a whole were down 7 per cent – the worst fall for more than 40 years – and the company has made a £6m provision against the risk of bad debts among its £180m free trade loans.

The outlook for such debts appeared to have worsened in recent weeks and the full year's provision was likely to be greater than last year's £8m, he said.

Despite the tough trading conditions, Mr Jarvis claimed the company had shown considerable resilience. It had outperformed the market in managed pubs, restaurants, and shops.

"I am confident that once there is the slightest hint of sustained economic upturn, we shall return to our pattern of growth," he said, but he warned that there had been no sign of recovery in the last two months.

Turnover for the six months rose by 2.5 per cent to £1.06bn (£1.04bn) but trading profit declined 2 per cent from £139m to £136m.

Fully diluted earnings per share fell from 24.68p to 23.32p but the interim dividend is raised to 4.55p (4.3p).

The Whitbread beer company lifted turnover to £449.4m (£442.8m) but profits, hit by the bad debts charge, were 5 per cent lower at £39.1m (£41.3m). Overall volume sales fell by 6 per cent, reflecting the sale of 350 pubs and poorer business in the tenanted and take-home trades; but volumes in the free trade were more than 6 per cent higher. Boddingtons bitter sales increased by 40 per cent and Murphy's stout by 12 per cent.

Profits from the Pub Partnership leased estate rose from £32.4m to £33.7m on turnover £15.2m lower at £127.4m.

The managed retail division increased turnover from £625.9m to £665.9m, but profits fell 9 per cent to £61.7m (£67.8m).

Profits were 20 per cent ahead in the Brewer's Fayre and Beefeater pubs. The acquisition of GrandMet's Berni Inns, now being absorbed into Beefeater, pushed interest charges up from £7m to £17.4m.

Apart from the budget Travel Inns, where the occupancy rate was higher than 80 per cent, the hotels division had a difficult period with profits 35 per cent lower.

Pizza Hut increased sales and market share but profits fell. The Threshers off-licence chain improved sales by 3 per cent and profits by 8 per cent.

Profits from property disposals increased by £4.7m to £17.9m. The company has now sold 500 pubs and another 600 will be sold in the next six months.

See Lex

Tony Andrews

Peter Jarvis: outlook for bad debts has recently worsened

Ratners hopes for tidings of comfort and joy

John Thornhill and **Karen Zagor** on the group's problems in the run-up to Christmas

MR GERALD Ratner yesterday flew to the US to rally Ratners Group's sales staff in readiness for the vital Christmas trading period.

He did so against a background of tough trading conditions on both sides of the Atlantic and swirling uncertainty in the City, which has cut the jewellery group's share price from 125p to its current 44p in less than two months.

City sentiment has turned against Ratners' chairman and managing director as savagely as the press did earlier this year when in a speech to the Institute of Directors Mr Ratner made some ill-judged scatological remarks about one of his company's products.

Ratners' shares have always vulnerable at this time of year as the City becomes nervous about the company's prospects in the six weeks before Christmas when it makes 90 per cent of its profits. But this year sentiment has been especially knocked by severe doubts about the extent of consumer recovery both in the UK and the US and concern about Ratners' financial strength.

Analysts have sharply downgraded their pre-tax profits forecasts to about £40m, against the £112m achieved last time. It has almost been taken as read that the dividend will be cut from last year's 10p.

A crisis of confidence has struck; Ratners' three biggest institutional shareholders have all baled out.

Last month, Ratners' largest shareholder, Baillie Gifford, the Edinburgh-based fund management group, disposed of its 6.1 per cent stake in the company.

The second biggest shareholder, Provident Mutual Group, which held 4.5 per cent, has also sold its stake. And Barclays Bank, which held a consolidated 3 per cent stake, has disposed of two-thirds of its shares – the rest being held in passively-managed funds.

The only buyer of Ratners' shares appears to be the company's own independently-managed Employee Share Ownership Trust, which over the past eight months has bought about 10m shares in the company, representing a shareholding of about 3.5 per cent.

"I just do not like the company," admitted one fund manager yesterday, adding that although Mr Ratner's infamous speech had not undermined his view of the company, "it had acted as a catalyst for our doubts."

But Ratners has been in a weak position to dispel the proliferating rumours. Rather like the Chancellor in purdah before the Budget, Mr Ratner is forbidden by his financial advisers from making any public comment about trading in the run-up to Christmas. All the normally voluble Mr Ratner can do is keep quiet and pray that the profits numbers will do the talking.

Yet in spite of the obvious worries, there certainly does not appear to be an immediate financial crisis at Ratners.

Analysts suggest that the company's borrowings this year peaked at about £400m in October when the company geared up to buy the bulk of its Christmas stock. But this is still a long way short of the company's £500m of committed borrowing facilities, to say nothing of its ability to use uncommitted facilities.

The cost of the company's borrowings has increased because of the failure of a series of sales in its $250m Auction Market Preference Shares (Amps) programme following a Moody's downgrading of its credit rating. But this is only likely to add £2m to the company's annual interest bill. The Amps are not redeemable.

The City's main financial concerns focus on next year. Analysts speculate that if Christmas trading is truly awful then Ratners may breach its banking covenants early in the year.

Few doubt, however, that Ratners would be able to renegotiate these covenants even if on less favourable terms.

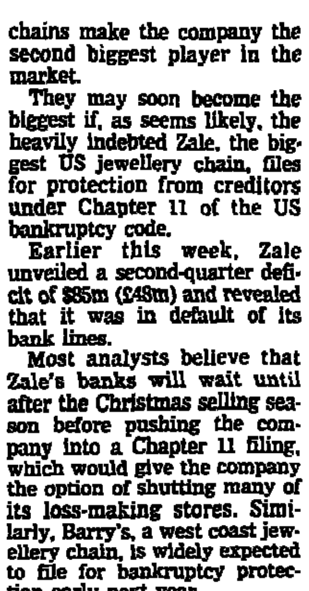
Ratners will also be faced with a £57m debt repayment when a convertible bond falls due next October. This, plus the seasonal cost of borrowings, will take the company close to its £500m ceiling but it seems unlikely that it would not address itself to such a concern in the meantime.

The company could attempt to raise money either by asset sales or by a rights issue.

Another option may be to raise money by floating part of its US business and it is believed that Ratners has considered a tentative plan to list 20 per cent next spring.

However at present, the idea seems absurd given Ratners' weak performance in the UK, the industry background in the US and this week's plunging stock markets.

As if to prove the point, Finlay Enterprises, whose Finlay Fine Jewelry subsidiary controls about half of the US leased jewellery market, tried to go public four weeks ago but has indefinitely postponed its offering.



Gerald Ratner: praying the profits will do the talking

The great irony of Ratners' plight is that if the company can weather the current storm it is in a seemingly excellent strategic position to take advantage of an upturn.

The company's 1,500 shops in the UK still command one third of the jewellery market. And although the brand name of Ratners may have been badly tarnished by the chairman's remarks, the company's string of H Samuel, Ernest Jones and Watches of Switzerland chains still have a formidable presence on the high street.

The same can be said of the US where Ratners' 1,000-store Sterling and Kay Jewelers chains make the company the second biggest player in the market.

They may soon become the biggest if, as seems likely, the heavily indebted Zale, the biggest US jewellery chain, files for protection from creditors under Chapter 11 of the US bankruptcy code.

Earlier this week, Zale unveiled a second-quarter deficit of $85m (£48m) and revealed that it was in default of its bank lines.

Most analysts believe that Zale's banks will wait until after the Christmas selling season before pushing the company into a Chapter 11 filing, which would give the company the option of shutting many of its loss-making stores. Similarly, Barry's, a west coast jewellery chain, is widely expected to file for bankruptcy protection early next year.

In the short-term, Zale's and Barry's troubles do not bode well for Ratners' US operations, making a bad Christmas even worse. Struggling retailers traditionally slash prices as they try to bolster sales, increasing pressure on competitors' margins.

"Christmas will be painful because Zale will be giving things away," said one US analyst yesterday.

"But if Ratners can hold on, the US will be a pot of gold for the company."

Mr Ratner may well be in sight of achieving his ambition of becoming the biggest jewellery retailer on both sides of the Atlantic.

Whether it will be a triumph to savour will crucially depend on trading this Christmas and Mr Ratner's ability to restore his credibility in the City.

Brent Walker leases Allied pubs

By Philip Rawstorne

ALLIED-LYONS, the drinks, foods and retailing group, has agreed in principle to lease 750 of its pubs to Pubmaster, the Brent Walker retailing subsidiary.

Under the proposed deal, which is subject to approval by the Office of Fair Trading, Allied would secure a seven-year, non-exclusive contract to supply its range of beers – notably Tetley bitter and Castlemaine and Skol lagers – to the entire Pubmaster estate.

Allied would also acquire about 50 managed houses – mainly in East Anglia and north-east England where it is under-represented – from Pubmaster's present estate of 1,117 pubs.

The deal would lift Allied's share of the UK beer market by an estimated 0.5 to 1 per cent, consolidating its position after the proposed joint venture with Carlsberg, at about 19 per cent.

It would also help significantly to meet Allied's requirement under the government's beer orders to dispose of 2,380 pubs by November next year. It has already sold 785.

If the Pubmaster transaction goes ahead, it will include a series of financial and legal safeguards to protect Allied's interests.

Brent Walker said in a statement yesterday that the deal was expected to increase its cash flow.

Mr Doug Henderson, Labour trade and industry spokesman, yesterday again pressed the OFT to ensure that the deal would not lead to the closure of Brent Walker's Cameron brewery at Hartlepool.

Mr Alistair Arkley, former managing director of Cameron who is leading a management buy-out bid, said yesterday: "We have always understood that the deal with Allied would take place. It is part of the process that will allow Brent Walker to sell the brewery."

Vaux, the Sunderland-based brewer, has also shown an interest in acquiring the brewery which supplies 16 per cent of own-label beer to the take-home trade.

Lep chief replaced by committee

By Richard Gourlay

MR JOHN Read has been ousted from his position as chairman and chief executive of Lep Group, the troubled security and freight forwarding company, and replaced by a management committee of executive directors.

Mr Peter Grant, deputy chairman, will become chairman in January, after Mr Read leaves, and will head the management committee with immediate effect.

The board also warned that profits for the current year were likely to be less than it indicated at the time of its interim results.

At that time, Mr Read said full year pre-tax profits would be "less than half" the £29.4m achieved in 1990. First half profits fell from £10.4m to £1.9m.

Lep's share price fell 3p to 14p yesterday.

Advisers to Lep said the board changes would not affect the sale of National Guardian, the US security systems business. Discussions were continuing with a number of parties.

Bankers who refinanced the group's £470m debt in September were continuing to support the group, Mr Grant said.

Shareholders are likely to have to wait until next April, when the annual results are announced, before learning how much Mr Read will be paid for taking early retirement.

Vosper up 16% amid Saudi contract hopes

By Andrew Bolger

VOSPER THORNYCROFT, the warship designer and builder, said it hoped soon to get the go-ahead to build a fourth minehunter for Saudi Arabia.

Vosper needs the order to maintain its workforce in Southampton at about the current level of 2,100, having launched the second vessel in May and with the third due to be finished next year. It said discussions on funding continued with British Aerospace, the main contractor for the Saudi project.

Following the announcement in September that the yard had been chosen to build two warships for Oman at a cost of more than £150m, Vosper said negotiations were proceeding well and it hoped to sign the contract in the near future.

The statement accompanied news of a 16 per cent improvement to £7.1m in pre-tax profits for the six months to September 29 on turnover of £74.8m, up 18 per cent.

Mr Peter Usher, chairman, was concerned by proposals being considered by the EC Commissioners to incorporate defence spending into the enlarged market. "It will be essential that arrangements to ensure fair competition are in place beforehand," he said.

Vosper said it had continued to diversify away from defence work by making two small acquisitions, a US company which makes yacht stabilisers and a company which makes scaffolding for civil aircraft maintenance. Neither of these companies would make a significant impact in the short term, but both had offered significant potential for growth.

Vosper expects total non-defence order input this year will be more than double last year's, but such work still only accounts for about 10 per cent of group turnover.

Earnings per share rose from 12.9p to 15.5p and the interim dividend is lifted to 4.1p (3.5p).

MMC rules against roadside poster acquisition by Havas

By Peggy Hollinger

IN A move which has taken the outdoor advertising industry by surprise, the Monopolies and Mergers Commission yesterday ruled against the acquisition of a UK roadside poster company by Havas, the French group.

The report concludes the third investigation into the industry – which represents 4 per cent of UK advertising spending – in just 10 years. A fourth referral is expected to be imminent.

The commission said the purchase of Brunton Curtis Outdoor Advertising by Mills & Allen, a subsidiary of Havas, would reduce competition and could, in time, result in higher prices. The deal gave M&A a 33.8 per cent share of the market for 48-sheet (10 ft by 20 ft) or larger panels.

Mr Philippe Santini, M&A's chief executive, angrily rejected the findings. "The conclusions of this report are a joke," he said. M&A was consulting its lawyers to determine whether there was an avenue for appeal, he added.

Mr Santini said the report failed to provide a proper definition for the marketplace. He maintains that outdoor advertising should be considered as part of a wider display market.

The report requires M&A to divest all 48-sheet or larger panels controlled by Brunton Curtis – commonly known as Dolphin – at the time of the acquisition.

Most industry observers had expected a compromise involving the divestiture of only a proportion of the panels acquired through Dolphin.

"I am absolutely amazed and delighted," said Mr Peter Brown, an opponent to the M&A deal, and managing director of Multimark, an outdoor poster contractor and consultant. He has provided evidence to the two most recent inquiries.

In 1987, the commission required MAI, the poster and financial services group which eventually sold M&A to Havas, to dispose of 2,000 sites to reduce its share. It sold most of the sites to Dolphin.

But in subsequently buying Dolphin this April, M&A boosted its market share from 22 per cent to 33.8 per cent of 48-sheet or larger market. Some observers see the commission's decision as a reaction to the method by which M&A reacquired those sites.

It is believed that M&A paid £3.5m cash for Dolphin, but also took on about £3.25m debt and indirectly injected up to £2m cash in the company which was on the verge of liquidation.

Mr Santini said the commission's order would have no material effect on M&A.

**Monopolies and Mergers Commission report on the acquisition by Avenir Havas Media of Brunton Curtis Outdoor Advertising: HMSO £10.70 net.*

NEWS DIGEST

Global warning of fall to £2m

GLOBAL GROUP shares fell 6p to a low of 9p following a warning of a further deterioration in activity since the interim announcement in October.

Directors of the USM-quoted group said yesterday that pre-tax profits for the year to December 31 would "not be significantly greater than £2m", compared with £5m for 1990. Consideration of a proposal to demerge the food division into a separate public company had also ceased.

The food division continued to perform strongly but lower levels of activity in the shipping services division were adversely affecting profitability.

Following the resignation of Mr Robert Evans, the new group chief executive is Mr Bobby Mollinson. Mr John McGrory has also resigned from the board.

Losses increase at Parkland Textile

Parkland Textile (Holdings), the Yorkshire-based woollens group, yesterday announced increased interim losses and warned that it was unlikely to be back in the black by the end of the second half.

The family-controlled group's results were hit by reduced turnover and a sharp increase in depreciation and interest charges. In the half-year to August 30 pre-tax losses totalled £1.37m (£517,000) on turnover cut by 11 per cent to £24.6m. Second-half losses in 1990-91 amounted to £3.08m.

The interim dividend is cut by a third to 1p. Losses per share rose from 4.7p to 13.4p. The A shares fell by 2p to 89p.

Mr Paul Hanson, deputy chief executive, said: "The results are very disappointing but we are confident that the recovery will come in 1992. We are through the pain barrier."

The company said it had seen sales and margins improve over the past two months and was committed to reducing gearing from about 40 to 30 per cent by the end of the year.

Yarns, which contribute 30 per cent of turnover, broke even but both the fabric side, which represents 45 per cent of sales and the garment division, which represents 25 per cent, recorded losses.

The company is now hoping to benefit from expansion into Europe by Marks and Spencer, to which Parkland attributes some 22 per cent of turnover, a big sales drive in the Middle East and recent rationalisation and reorganisation.

Capital Radio to make £2m provision

Capital Radio is to make a £2m provision in its accounts for the year to September 30 1991 after the collapse on November 19 of Century Communications, the sole national licensee for independent broadcasting in the Republic of Ireland.

In October 1990, Capital invested I£1.8m in Century in the forms of loans. Under a consultancy agreement it was also responsible for the day-to-day running of the Irish broadcaster. The audience duly grew but trading conditions were difficult and Century's losses continued.

Further refinancing by Capital was negotiated, but certain of the preconditions were not met by the due date, thereby annulling the cash injection. Directors of Century intend to seek a liquidator and a winding-up order.

Capital will take the provision below the line as an extraordinary charge.

Scantronic drops 45% to £1.1m

Scantronic Holdings, the alarms and signalling equipment group, reported a sharp downturn in profits for the six months to end-September.

Pre-tax, there was a fall of 45 per cent from £2.02m to £1.11m on turnover down from £24.8m to £16.8m.

Mr Thomas Buffett, chairman, said that restructuring of operations in North America – which incurred an operating loss of £354,000 in the period – was being finalised and that he anticipated a return to profitability on completion.

Earnings per share were 1.01p (3.33p) and the interim dividend is held at 0.79p.

Forward Grp halved to £203,000 midway

Forward Group, which principally makes printed circuit boards, saw pre-tax profits halve in the six months ended July 31, but is holding the interim dividend at 1p.

Mr Ray Chamberlain, chairman, said it was a "creditable performance" in the context of the depressing economic climate and the performance of others in the sector.

Turnover fell to £4.66m (£5.1m) and profit came out at £203,000 (£408,000) after interest charges of £75,000 (£189,000). Earnings were 1.9p (3.6p).

Land sale gives boost to John Foster

Only a profit on the sale of land enabled John Foster & Son, the specialist textile group, to reduce its losses to £23,000 in the first half of 1991.

Further progress was made in product rationalisation, the cost base of the business had been significantly reduced and manufacturing efficiencies improved, said Mr Victor Watson, chairman, but the defering of contracts for high value mohair cloth by certain customers had a severe impact.

Turnover fell to £10.4m (£12.8m) while operating losses rose to £819,000 (£684,000). The profit on sale of land for housing development was £1.02m to leave the pre-tax loss at £23,000 (£928,000). Net losses per share were 0.2p (5.3p).

After taking account of the exceptional profit, the board was still hoping for a small pre-tax profit for the year, said Mr Watson. The previous year's deficit was £2.24m.

Northern Bank makes £58.6m

Northern Bank, the Belfast subsidiary of National Australia Bank, reported a dip in pre-tax profit for the year to September 30 despite providing £1.5m to depositor protection schemes and a higher charge for bad and doubtful debts.

Profits came to £58.6m, against £59.3m, after a debt provision significantly increased to £5.84m (£2.15m).

Sir Desmond Lorimer, chairman, said the profit represented a post-tax return on equity of 20.5 per cent.

Influential factors were costs to income ratio maintained at 56 per cent, personal loan lending increased by 55 per cent, and mortgage lending up almost 20 per cent.

Perkins Foods buys Anchor Seafoods

Perkins Foods is buying Anchor Seafoods for a maximum of £5.1m. The initial consideration is £3.3m satisfied by the issue of 637,000 ordinary shares and 6.6m D-Mark convertible preference shares with further profit related payments met by either ordinary or convertible preference shares.

Anchor was established in 1984 by Mr Norman Young and Mr Edwin Young following the merger of their original company, Young's Seafood, with Ross Foods.

Anchor's pre-tax profits in the year to April 30 were £792,000 and assets at the end of the period were £2.1m.

An extraordinary meeting will be held to approve the issue of the preference shares, which will be convertible on a 6-for-1 basis.

NFC pays nearly £3m for Bullens

NFC has acquired the assets and goodwill of Bullens for £3.9m cash.

Bullens is an office and commercial removals network and is presently owned by Wincanton Distribution Services.

The acquisition was effected through Hoults Removals which is the second biggest, singly owned removals group after Pickfords, and is part of NFC's home services division.

It will increase Hoults' turnover to over £20m and further reduce its dependence on the cyclical home moving market.

Strict cost control puts Shani ahead

Strict control on overheads and continued operating efficiencies in its factories enabled Shani Group to slightly increase pre-tax profit despite reduced turnover.

In the year to July 31 this USM-traded clothing maker saw sales fall to £13m (£14.6m) but profit rise to £1.91m (£1.89m).

Earnings per share were almost maintained at 8.9p (9p) and the proposed final dividend is 2.4p for an unchanged total of 4p.

Mr Martin Hollis, chairman, said the cash position remained strong at £4.89m.

Stratagem shows modest decline

Stratagem Group, the investment company which earlier this year took over the Touchstone computer services concern, yesterday reported profits of £1.3m pre-tax for the year to August 31.

The outcome showed a slight decrease on last time's £1.33m which included a "substantial contribution" from the sale of the group's investment in Colonnade Development Capital.

Firstpoint, the core Touchstone business, had been turned round and was improving its contract base. Of the smaller operations, one has been sold and sales of the remainder were nearing completion, directors said.

After a nil tax charge earnings per share worked through at 22p (22.9p) and the single distribution for the year is lifted from 4p to 4.5p.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 21.11.91: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool selling price £/MWh
0030	16.53	15.82	15.82
0100	20.03	15.84	15.84
0130	22.18	15.86	15.86
0200	22.16	16.92	16.92
0230	19.37	15.92	15.92
0300	16.53	16.92	15.92
0330	16.55	15.92	16.92
0400	16.49	15.90	15.90
0430	16.47	15.88	15.88
0500	16.47	15.88	15.88
0530	16.60	15.86	15.86
0600	16.60	15.86	15.86
0630	16.60	15.88	15.88
0700	18.33	16.24	16.24
0730	20.46	19.48	22.68
0800	26.21	26.20	30.53
0830	28.22	32.02	37.00
0900	28.23	33.60	38.03
0930	28.59	32.13	37.20
1000	28.59	30.54	35.21
1030	28.59	28.08	33.34
1100	26.19	23.25	27.10
1130	25.03	22.80	25.51
1200	26.14	22.03	25.86
1230	26.14	21.77	25.15
1300	25.52	20.43	23.53
1330	22.39	19.38	22.14
1400	22.39	18.38	21.06
1430	22.39	16.39	16.39
1500	21.85	16.37	16.37
1530	22.39	16.38	16.38
1600	22.53	18.40	21.08
1630	35.06	18.62	21.38
1700	53.91	19.93	22.87
1730	58.56	21.01	24.18
1800	49.98	26.80	31.38
1830	33.31	34.98	40.63
1900	27.59	35.25	41.02
1930	27.15	30.87	35.36
2000	21.15	22.55	25.69
2030	20.46	19.61	22.36
2100	20.46	19.46	22.15
2130	20.05	18.13	20.78
2200	19.63	18.12	20.77
2230	18.33	17.80	20.44
2300	16.53	16.06	16.06
2330	16.53	15.92	15.92
2400	16.49	15.84	15.84

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

LEGAL NOTICES

DISPLAY MARKETING (UK) LIMITED IN RECEIVERSHIP

NOTICE IS HEREBY GIVEN, pursuant to Section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above named company will be held at the Grand Hotel, Granby Street, Leicester on 29 November 1991 at 10.30 am, for the purposes of having laid before it the report prepared by the Administrative Receivers in accordance with the said Section and, if thought fit, appoint a Committee.

Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote, in respect of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the company as a security held by him (unless the other person is subject to bankruptcy order or in liquidation).

Creditors wishing to vote at the meeting must lodge a written statement of claim with us at Cork Gully, Abacus House, 32 Friar Lane, Leicester LE1 5RA no later than noon on 28 November 1991. Forms of proxy, if intended to be used, must be lodged with us by that time.

DATED this 15th day of November 1991

FULTON PREBON (UK) LIMITED JOINT ADMINISTRATIVE RECEIVERS APPOINTED 7 SEPTEMBER 1991

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the creditors of the above named Company will be held at Shelley House, 3 Noble Street, London EC2V 7DQ on 4 December 1991 at 10.00 pm for the purpose of receiving a report prepared by the Joint Administrative Receivers and if thought fit to establish a committee ("the creditors committee") to exercise the function conferred on it by or under the Insolvency Act 1986. Proxies to be used at the meeting must be lodged, together with any claim to be made by the creditor at the offices of the Joint Administrative Receivers, I D B Bond and C J Hughes no later than 12 noon on Tuesday 3 December 1991.

NOTICE IS HEREBY GIVEN, that creditors whose claims are wholly secured are not entitled to attend or to be represented at the meeting.

I D B Bond
Joint Administrative Receiver

Dated 18 November 1991

COMMODITIES AND AGRICULTURE

London coffee prices reach 6-month highs

By David Blackwell

ROBUSTA COFFEE prices closed at the highest levels for six months on the London Futures and Options Exchange (Fox) yesterday on continuing concern about a shortage of quality supplies for immediate delivery.

The January contract rose by £11 a tonne to close at £607 a tonne.

The shortage of supplies is seasonal; late autumn sees heavy demand from roasters just when producers are in between crops. The situation has been exacerbated this autumn by dry weather in Indonesia, shipment delays from the Ivory Coast and a large shipment of robustas from the UK to the US.

According to E.D. & F. Man, the London trade house robusta exports from countries of origin "are likely to fall well short of usage in the first six months of the 1991-92 coffee year. We estimate that shipments will some 1.5m bags less than demand".

This should result in a significant drawdown in consumer stocks of robusta, Man predicts in its latest coffee market report. This will underpin the tightness in the London market.

However, analysts are uncertain as to how long the price run will continue. Last night the January contract was at a premium of £16 a tonne to the March contract.

Some believe that the market will follow a similar course to last year's, when the January position reached a premium of £50 a tonne to March before the arrival of late shipments from the Ivory Coast wiped it out.

However, one dealer said yesterday that the move above £600 had left charts looking bullish in a technical market. In addition, he suggested, continued dry weather in Brazilian growing areas has kept the New York arabica market steady, which has a spill-over effect on London.

Pakistan improves oil exploration incentives

By Farhan Bokhari in Islamabad

THE PAKISTANI government yesterday announced a new petroleum policy that gives fresh incentives to oil exploration and production in the country. "We have to attract foreign investment, we have to provide them the environment in which they can come and invest in Pakistan," said the Petroleum minister, Mr Nisar Ali Khan after announcing the policy.

Under the new measures, applications from companies seeking licences for exploration will be decided within a three-month period, while decisions on cases involving disputes will not be held up for more than 6 months. New investors will also be allowed to set up oil refineries without requiring the government's permission.

In the past, prospective investors have complained that complicated bureaucratic structures sometimes held them up for up to three years. The government also committed itself to meeting all the foreign exchange requirements of exploration companies, who are paid for their share of oil and gas in local currency.

Mr Khan said that the new measures were meant to attract new investors in order to increase the number of oil wells that are drilled in Pakistan annually. During the 43 years that Pakistan has been independent only 250 wells have been drilled, he added. He compared this with countries such as Canada where 3,000 wells were drilled each year and the US with an annual 8,000 wells. But Mr Khan said that there was good potential for new exploration as one out of every three drilled wells had been successful.

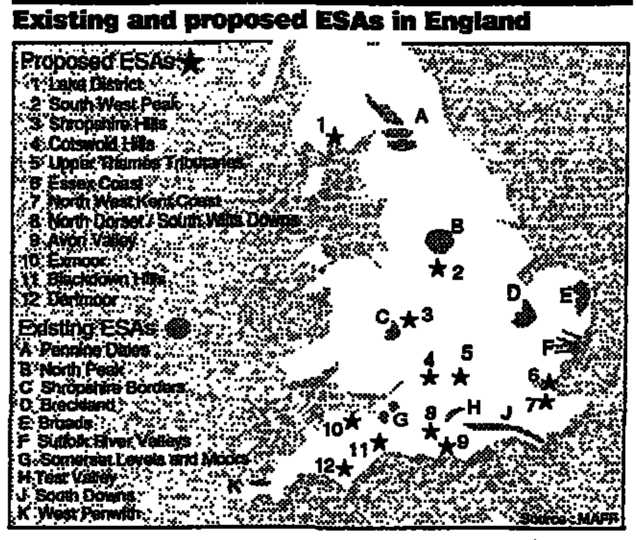
However, in response to questions if the government would provide protection to oil companies, Mr Khan said that a special force would be set up by the government to protect oil installations. This reassurance came in the background of security concerns shared by some oil company executives. A continuing problem of lawlessness in some parts of Pakistan has deterred some oil companies from expanding their operations, businessmen say.

Yesterday's announcement was apparently also meant to attract foreign and Pakistan prospective investors who are due to arrive here tonight to attend a national petroleum seminar due to begin tomorrow. Prime Minister Mr Nawaz Sharif, who will perform the opening ceremony, is expected to tell delegates that his government will continue to encourage new investors in the petroleum industry from the private sector.

UK 'green' farming scheme extended

By David Blackwell

Existing and proposed ESAs in England



THE LAKE District and Dartmoor have been designated "environmentally sensitive areas," or ESAs, the schemes under which the UK Agriculture Ministry rewards farmers for taking conservation measures.

Mr John Gummer, the minister of agriculture, yesterday named 12 new areas in England to join the 10 schemes launched five years ago to protect areas like the Norfolk Broads. The expansion will more than treble the amount of land under the English schemes to over 1m hectares.

Finance for the schemes, announced earlier in this month's autumn statement, is to rise to £64.5m in 1994-95 from this year's £13m.

ESAs have been at the heart of the debate over "green" farming. Mr Gummer said the schemes were a British invention that was being taken up all over Europe. The whole idea was to ensure the survival of the agriculture base that had created the landscape in the first place.

Administration costs take up about 25 per cent of the budget, Mr Gummer said. But he stressed that administration was part and parcel of the schemes, which were expensive to organise and involved monitors going out in the field.

Existing ESAs will also be expanded further in the not-too-distant future, the Ministry said. It is also likely to lengthen the schemes' contracts to 10 years from five years.

Under the schemes farmers receive annual payments for undertaking "a prescribed form of environmentally beneficial management reflecting the character of the area", according to the ministry. Payments vary: in the Pennine Dales farmers are paid £100 an acre to protect meadows, pastures and other landscape features, while in the Northern Peak, £20 a hectare is paid for managing and regenerating heather.

The grants are effectively compensation for profits lost through farming in more traditional and less intensive ways.

The National Farmers Union yesterday welcomed the new areas, which demonstrated "the principle of voluntary incentives for farmers to manage the countryside positively."

The Royal Society for the Protection of Birds said the announcement of new areas was excellent new for conservation.

"The Government now faces the difficult task of pursuading our partners in the European Community that green farming schemes such as ESAs must be at the very heart of common agricultural policy reform," said the RSPB.

Support boost for Welsh hill farmers

By Anthony Moreton, Welsh Correspondent

THE HARD-hit Welsh hill farmers are to get get the lion's share of the increase in government spending on agriculture over the next three years.

Mr David Hunt, Welsh Secretary, announced yesterday that another £5.4m will be paid in hill livestock compensatory allowances. This means that hill farmers will get almost 70 per cent of the increased allocation to Welsh agriculture in 1992-93, taking their share of the Welsh agriculture budget to £39m.

The Welsh agriculture budget goes up by 14 per cent next year to £170.5m, rather more than the 10.7 per cent Mr Hunt won for Wales in this autumn's spending round.

The increased allocation demonstrated "the government's continuing commitment to agriculture in Wales", Mr Hunt said in Cardiff yesterday.

The government is also putting more money towards environmentally sensitive areas in Wales, increasing the sector's allocation by £1.4m. The rest of the increase in spending, £1.1m, is going towards farm and conservations grants.

Caribbean banana lobby visiting EC

By Canute James in Kingston

PRIME MINISTERS of four Caribbean countries that export bananas to Europe will be visiting several European Community capitals during the coming fortnight to lobby for a continuation of the preferential access that their fruit enjoys at present when the single European market comes into operation in just over a year's time.

Mr James Mitchell, prime minister of St Vincent and the Grenadines, is leading one delegation to Belgium, Germany, Denmark and the Netherlands, with the second team, led by Mr John Compton, the prime minister of St Lucia, visiting France, Spain, Portugal and Ireland. Mr George Price, the prime minister of Belize, and Mr Nicholas Brathwaite, the prime minister of Grenada, are to be members of the delegations.

Mr Mitchell, Mr Braithwaite, Mr Compton and Mr Price have already arrived in Brussels, where they are attending the fourth Europe/Caribbean Conference. Mr Compton will this morning take the chair in a session on agriculture, at which the question of banana imports into the single market is expected to figure prominently.

"It is very important between now and 1992 that we lobby all the European capitals so that they can understand clearly before they take the final decisions what is at stake for us in the banana exercise," said Mr Mitchell.

Commonwealth Caribbean producers, which supply about two thirds of Britain's bananas, fear that they will lose their share of the market to cheaper fruit from Latin America on a deregulated European market.

Mr Mitchell said he would also investigate the prospects of Caribbean bananas being shipped to Italy where there is at present a shortage of bananas because of political unrest in Somalia, Italy's main supplier.

Comex gets physical in chase for more business

Barbara Durr on a plan to expand copper trading

IN AN effort to bring greater activity to its trading floor, the New York Commodity Exchange (Comex) plans to begin trading physical copper to complement its current business in copper futures.

The exchange is engaged in marketing the new product and readying its systems in order to begin trading early next year. Mr David Halperin, the Comex president, says the intention is not to grab business from the London Metal Exchange, the world's leading physical copper market. Rather, Comex wishes to bring on to its floor business that is at present conducted off the floor. "The idea is to be a full service exchange," he says.

At present those who wish to take physical delivery on Comex futures must trade their Comex warehouse receipts among themselves off the floor to obtain the most convenient and least costly shipping point. The proposed physical trade in Comex copper will allow those who need the metal to have immediate delivery in a specified location.

Mr Halperin says a high percentage of Comex's current participants are copper producers and end-users and many have expressed interest in the scheme. At a recent meeting in New York of the Copper Club, and industry group, some 25 end-users expressed particular enthusiasm.

As of September, Comex had 26 registered warehouses across the US and the exchange hopes that, with the new contract, warehouse stocks will increase.

Industry reaction to the plan has been generally positive. Magma Copper Company, one the largest copper producers in the US, says it believes it is a good idea because it will help to make a more transparent market in copper warrants. At present, those wanting warrants are simply using the telephone, which means there is a profusion of single deals with great unevenness in pricing. Futures trading companies such as Refco, the world's largest futures commission merchant, also welcome bringing the physical trade into Comex because they believe it will help smooth out the market. Mr Jim Steel, a Refco analyst, says that by concentrating more buyers and sellers in one place it will "take some of the statistical noise out of divergent cash market prices".

Finished product producers such as Hussey Copper, a supplier for Westinghouse which uses Comex to hedge in futures, considers the plan positive because it will offer a better choice of delivery locations.

If the plan goes ahead the physical market will be located in the copper futures pit. For the execution of physical copper trades, Comex members will enter the required information on their trading cards, including the spot copper trade designation symbol, and then submit all data to the exchange for processing. On the day of the trade, the seller will provide the Comex Clearing Association with details of the appropriate warehouse receipt to be delivered. On the business day following the trade the association, on behalf of the selling clearing member, will issue an invoice to the buying clearing member. On the second business day after the trade, delivery will be completed through the production of Comex warehouse receipts.

Up to the end of October this year, Comex's total trading volume in copper futures amounted to 1,351,823 contracts. Physical delivery was taken on only 20,053, or 1.48 per cent.

Comex is the first US exchange to move forward on the idea of trading physical commodities alongside futures contracts, but it is not alone in this endeavour. The Chicago Board of Trade, the world's largest futures exchange, is looking at the possibility of returning to trade in physical grains. Grains were the first commodities traded at the board 150 years ago.

Metal venture to focus on Africa, E Europe

By Enrique Tessieri in Helsinki

OUTOKUMPU METALS & Resources, the state-owned Finnish mining and metals group, has formed a joint venture with Placer Dome, a Canadian mining group. The purpose is to exploit base and precious metals resources in selected countries in Africa and eastern Europe.

The operation, in which the two companies will be equal partners, will be based in London.

Outokumpu felt Placer Dome's good track record in mine development and its own knowledge of eastern Europe and Africa would form a good basis for success.

According to Mr Graham Mascall, managing director of Outokumpu, the venture is seeking to concentrate its efforts in the African countries of Namibia, Botswana and Zimbabwe. Its main thrust in eastern European will be in Hungary, Poland and Czechoslovakia.

The joint venture will be seeking to exploit base metals and gold production in Africa; in eastern Europe it plans to take part in copper, zinc, nickel and gold exploitation.

Talks between both companies on forming the joint venture had been going on for the past six months, according to Outokumpu.

"Another important reason why we formed the joint venture was risk sharing and sharing financial risk," Mr Mascall explained.

"Taking into consideration the present economic situation, it is important that when embarking on a sizeable projects one should be prudent about risk sharing."

Apart from producing significant quantities of copper and molybdenum, Placer Dome is also one of the world's largest gold and silver producers. Outokumpu is an integrated mining, smelting and refining group producing copper nickel and zinc.

In an effort to gain a greater presence in eastern Europe, Outokumpu was due to open a representative office in Warsaw yesterday.

Aluminium plant to close

By Victoria Griffith in Sao Paulo

ALCOA ALUMINIO, the Brazilian subsidiary of the Aluminum Company of America, has decided to shut its plant in Tubarao, in the south of Brazil, and lay off nearly 200 employees. Mr Alain Belda, the company's president, blamed the Brazilian recession for the sharp decline in demand for aluminium products. "The lack of any prospect of an economic recuperation in the short or medium-term has forced us to concentrate our activities in our larger factories", he said.

The Tubarao factory has a production capacity of 800 tonnes a month. Because of the economic crisis, however, the company said it had been operating at half of that. "This has nothing to do with the performance of the plant," added Mr Belda, "but is solely due to the disastrous economic situation in this country."

Alcoa is not the only aluminium group in Brazil to run into trouble lately. Alcan has also announced the closure of two aluminium plants in Brazil; one in Ouro Preto, the other in the north-east of the country.

WORLD COMMODITIES PRICES

MARKET REPORT

THE ZINC market extended its bull run yesterday with the cash price at the London Metal Exchange gaining another $46.50 to close at $1,157.50 a tonne. That meant the price had risen on all but one of the past ten trading days, during which time it had put on $163.75. But dealers said there appeared to be little fundamental justification for the recent strength, which they attributed chiefly to technical factors. Supply tightness for the first half of 1992 was evident, they said, and that helped to eliminate Tuesday's $9.50 a tonne cash discount against metal for delivery in three months and establish a $1 premium. Ten days earlier the cash discount had been at $19.50 a tonne. The tin market was also steady, with the cash price adding $25 to Tuesday's $8 rise to reach $5,515 a tonne. The three months price, which closed at $5,577.50 a tonne, could be poised to test resistance at $5,600 a tonne, traders said. In Geneva meanwhile base metals experts at the UN Committee on Trade and Development predicted a brighter future for the tin price following industry restructuring world-wide. "Everything indicates the market will be better in the next six months," one said. Gold failed to extend its advance as US share prices trimmed early gains.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.45-7.55q	-.225
Brent Blend (dated)	$20.50-0.65	-.425
Brent Blend (Jan)	$20.65-0.70	-0.25
W.T.I. (1 pm est)	$21.95-2.00q	-0.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$237-239	-2
Gas Oil	$202-204	-3
Heavy Fuel Oil	$87-88	-3
Naphtha	$212-215	-2.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$363.05	-0.10
Silver (per troy oz)♣	408.5c	-2.5
Platinum (per troy oz)	$368.35	+2.85
Palladium (per troy oz)	$85.25	+0.35
Copper (US Producer)	110.5c	+0.5
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	14.84r	-0.01
Tin (New York)	253.25c	+0.25
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	103.84p	+0.58*
Sheep (dead weight)†	150.55p	+4.52*
Pigs (live weight)†	89.93p	+8.87*
London daily sugar (raw)	$214.0x	-0.6
London daily sugar (white)	$274.0x	-0.5
Tate and Lyle export price	£228.5	-0.5
Barley (English feed)	Unq.	
Maize (US No. 3 yellow)	£142.5	
Wheat (US Dark Northern)	£101.0	
Rubber (Dec)♥	51.00p	
Rubber (Jan)♥	51.25p	+0.25
Rubber (KL RSS No 1 Dec)	222.0m	-1.0
Coconut oil (Philippines)§	$580.0x	-20.0
Palm Oil (Malaysian)§	$360.0	
Copra (Philippines)§	$400.0z	
Soyabeans (US)	£148.5	-1.0
Cotton "A" index	62.85c	+0.10
Wooltops (64s Super)	403p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jan t-Sep/Dec u-Jan/Mar x-Nov/Dec y-Dec/Jan z-Dec. †Meat Commission average latstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	187.00	187.00	187.00
Mar	182.20	180.40	181.80 179.40
May	184.20	181.40	180.00
Aug	189.20	186.00	185.40 183.00
White	**Close**	**Previous**	**High/Low**
Mar	274.0	271.3	274.0 271.6
May	273.5	271.0	272.5 270.5
Aug	275.0	274.4	274.2 273.2
Oct	252.5	251.1	252.0 250.7
Dec	250.0	248.7	249.5
Mar	251.0	249.1	250.1 249.9

Turnover: Raw 883 (473) lots of 50 tonnes. White 1274 (1307)
Paris- White (FFr per tonne): Mar 1511.36, May 1517.14

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Jan	20.62	20.85	20.70 20.52
Feb	20.48	20.65	20.52 20.40
Mar	20.30	20.38	20.31 20.22
Apr	20.06	20.00	20.11 20.02
May	19.90	19.80	19.90 19.81
Jun	19.74	19.83	19.75 19.70
IPE Index	20.97	21.53	

Turnover 18000 (19808)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Dec	201.75	205.00	202.00 199.50
Jan	202.25	205.00	202.50 200.00
Feb	197.00	199.50	197.50 196.00
Mar	190.25	191.25	190.50 188.75
Apr	182.50	183.75	183.50 182.00
May	177.50	178.50	178.50 177.25
Jun	174.00	175.00	174.50 174.00
Aug	177.00	177.00	178.50 176.00

Turnover 14500 (15655) lots of 100 tonnes

WOOL

The Australian wool market is looking a good deal steadier after some sharp and disturbing gyrations in the past month. Fine merinos were mostly affected with middle and courser categories of wool going dearer more gradually. The market is however holding on to much of the gains and apart from finer types is still showing a dearer tendency. The steadier but slightly firmer background for the bulk categories provides a sound basis for hoping that the market will retain strength and stability in the months ahead.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	735	734	738 733
Mar	773	772	776 770
May	796	794	799 793
Jul	820	817	822 817
Sep	842	839	844 839
Dec	868	866	870 865
Mar	893	892	893 890
Sep	941	941	945 938

Turnover: 4442 (4870) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov.19 968.48 (960.01) 10 day average for Nov.20 951.20 (948.64)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Nov	604	584	601 584
Jan	607	595	606 595
Mar	591	583	591 581

Turnover:5838 (4328) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov.19: Comp. daily 68.02 (64.71) 15 day average 63.64 (63.48)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Feb	110.0		105.0
Mar	131.0		130.0
Apr	129.8	130.5	130.5 129.2
May	147.0	147.0	146.8 146.5

Turnover 150 (84) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Feb	128.00	129.50	128.00
Apr	129.00		129.00 128.50
Jun	123.00		123.00

Turnover 135 (83) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Nov	1628	1610	1605 1600
Dec	1630	1618	1630
Jan	1665	1660	1665 1645
Apr	1685		1685 1660
Jul	1441		1428
BFI	1598	1605	1598

Turnover 261 (151)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Jan	124.05	123.30	124.10 123.50
Mar	127.50	126.75	127.60 127.10
May	130.50	129.80	130.60 130.00
Jun	132.25	131.40	132.10 131.40
Barley	**Close**	**Previous**	**High/Low**
Jan	118.15	117.80	118.00

Turnover: Wheat 346 (404), Barley 8 (112).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	104.8	104.5	104.5
Jan	104.0	103.0	103.4 102.8
Feb	105.0	105.5	105.2 104.5
Mar	107.0	107.0	108.5
Apr	107.5	108.5	107.5
May	106.0	108.5	108.0
Jun	108.0		108.0

Turnover:68 (29) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	134.89	134.04			

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)				Total daily turnover 25,205 lots		
Cash	1136-7	1137.5-8.5		1135-5.5		
3 months	1164-4.5	1165-6	1167/1163	1163-3.5	1165-5.5	135,074 lots
Copper, Grade A (£ per tonne)				Total daily turnover 49,182 lots		
Cash	1313-4	1311-2	1312/1311	1310-1		
3 months	1296.5-7	1293-3.5	1301/1294	1296.5-6	1293.5-4	104,660 lots
Lead (£ per tonne)				Total daily turnover 3,248 lots		
Cash	284-5	282-2.5	288	287-8		
3 months	296-6.5	294.25-4.5	301/296	298-8.5	298-8.5	13,871 lots
Nickel ($ per tonne)				Total daily turnover 3,046 lots		
Cash	7140-50	7190-200	7115	7114-5		
3 months	7210-5	7255-60	7220/7175	7173-5	7215-20	17,878 lots
Tin ($ per tonne)				Total daily turnover 715 lots		
Cash	5510-20	5485-95	5485	5480-5		
3 months	5575-80	5550-60	5575/5551	5551-5	5570-5	4,905 lots
Zinc, Special High Grade ($ per tonne)				*Total daily turnover 15,384 lots*		
Cash	1156-9	1110-2	1155/1152	1152-5		
3 months	1156-7	1120-1	1172/1151	1165-6	1156-8	36,310 lots

LME Closing £/$ rate: SPOT: 1.7960 3 months: 1.7722 6 months: 1.7498 9 months: 1.7298

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	362.80-363.30	
Opening	362.50-362.90	
Morning fix	362.55	202.090
Afternoon fix	362.60	202.008
Day's high	363.10-363.50	
Day's low	362.10-362.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.48	6 months	4.38
2 months	4.58	12 months	4.28
3 months	4.51		

Silver fix	p/fine oz	US cts equiv
Spot	227.35	407.75
3 months	233.35	412.75
6 months	239.05	417.85
12 months	250.80	428.10

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	362.75-363.75	202.00-202.50
Maple leaf	373.00-374.00	207.75-208.25
New Sovereign	88.00-89.00	49.00-49.50

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Mar	Dec	Mar
1050	95	129	½	9
1150	16	18	20	38
1250	½	21½	104	97
Copper (Grade A)	**Calls**		**Puts**	
2250	88	84	2	47
2350	18	39	32	101
2450	1	17½	114	175
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
550	60	52	3	11
600	25	24	18	33
650	8	10	51	69
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
725	11	69	1	21
750	1	54	16	31
775		41	40	48
Brent Crude	**Jan**	**Feb**	**Jan**	**Feb**
2050	51		43	73
2100	28	44	70	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	364.3	363.9	0	0
Dec	364.7	364.4	365.8	363.3
Jan	366.3	366.0	0	0
Feb	367.7	367.3	368.7	366.1
Apr	370.2	369.8	370.9	368.7
Jun	372.7	372.3	373.0	371.4
Aug	375.4	375.0	0	0
Oct	378.0	377.6	0	0
Dec	380.8	380.3	380.5	379.2

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Nov	370.5	365.7	0	0
Jan	373.2	368.4	374.6	367.5
Apr	375.8	370.9	376.5	370.8
Jul	378.6	373.7	377.0	375.0
Oct	384.8	379.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	407.6	406.6	404.0	404.0
Dec	408.2	407.2	409.0	405.0
Jan	410.1	409.1	0	0
Mar	414.2	413.2	415.0	411.0
May	418.2	417.2	418.5	415.5
Jul	422.0	421.0	422.0	419.5
Sep	426.0	425.1	0	0
Dec	432.0	431.1	433.0	429.0
Jan	434.1	433.2	0	0
Mar	438.4	437.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	104.00	104.25	104.50	103.95
Dec	103.60	103.75	104.40	103.50
Jan	103.30	103.15	103.65	103.50
Feb	102.80	102.75	103.20	102.75
Mar	102.50	102.45	103.10	102.90
Apr	101.90	101.75	0	0
May	101.50	101.35	102.00	101.10
Jun	101.05	100.90	0	0
Jul	100.60	100.45	100.90	100.45
Aug	100.15	100.00	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	22.02	21.96	22.11	21.72
Feb	21.85	21.81	21.93	21.58
May	21.30	21.24	21.32	21.10
Jun	21.20	21.09	21.20	21.00
Aug	21.00	20.87	20.80	20.77

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	6360	6443	6395	6330
Jan	6460	6538	6505	6430
Feb	6400	6429	6425	6330
Mar	6155	6175	6170	6110
Apr	5915	5910	5915	5850
May	5715	5715	5690	5660
Jul	5585	5575	5590	5550
Aug	5625	5620	5625	5615
Sep	5740	5730	5740	5735

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1221	1230	1227	1218
Mar	1281	1288	1286	1272
May	1312	1322	1317	1307
Jul	1346	1354	1347	1343
Sep	1375	1384	1371	1370
Dec	1405	1419	1405	1405
Mar	1440	1464	1443	1440
May	1464	1477	1465	1465
Jul	1484	1497	1485	1485
Sep	1504	1520	1507	1500

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	80.00	79.85	81.00	79.25
Mar	84.90	85.40	86.00	84.30
May	87.50	87.90	88.30	87.00
Jul	89.90	90.15	90.75	89.80
Sep	92.40	92.65	93.00	92.50
Dec	96.00	96.50	96.00	96.00
Mar	98.00	98.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.34	8.23	8.35	8.19
May	8.30	8.23	8.30	8.18
Jul	8.29	8.22	8.29	8.18
Oct	8.31	8.24	8.31	8.19
Mar	8.27	8.19	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	58.79	61.50	59.90	58.72
Mar	60.82	62.15	61.65	60.75
May	61.65	63.26	62.50	61.60
Jul	62.38	63.75	63.05	62.30
Oct	63.70	64.97	63.80	63.70
Dec	64.05	65.40	64.25	64.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	166.60	163.20	167.40	165.00
Mar	168.00	169.00	168.50	166.80
May	168.45	169.95	168.50	167.25
Jul	167.90	169.75	167.60	166.50
Sep	166.90	166.75	167.50	165.75
Nov	154.75	155.75	0	0
Jan	154.00	154.90	0	0
Mar	154.00	154.90	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov.20	Nov.19	mnth ago	yr ago
1631.4	1620.2	1651.9	1700.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Nov.19	Nov.18	mnth ago	yr ago
Spot	114.39	114.22	114.73	122.61

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	584/4	582/6	571/4	583/4
Mar	570/6	570/0	578/4	570/0
May	577/4	577/6	585/0	578/4
Jul	585/0	584/0	592/0	584/4
Aug	586/4	586/0	592/4	586/4
Sep	584/0	579/0	586/4	583/0
Nov	586/4	581/2	589/6	583/0
Jan	596/4	590/6	597/4	596/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	18.91	18.99	19.17	18.89
Jan	19.07	19.13	19.31	19.06
Mar	19.41	19.46	19.67	19.40
May	19.71	19.75	19.92	19.71
Jul	19.99	20.03	20.25	19.98
Aug	20.20	20.20	20.38	20.20
Sep	20.35	20.35	20.55	20.35
Oct	20.35	20.30	20.60	20.35

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	181.2	180.2	183.3	180.6
Jan	179.5	178.2	181.4	178.8
Mar	177.9	176.9	179.6	177.3
May	176.8	176.3	178.5	176.6
Jul	177.5	177.2	178.8	177.5
Aug	177.8	177.4	179.0	177.7
Sep	177.8	177.6	179.0	177.7
Oct	188.7	188.0	189.3	188.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	241/6	239/6	244/2	240/0
Mar	252/2	250/4	254/4	250/6
May	258/0	257/4	261/6	257/4
Jul	264/0	262/2	266/4	262/4
Sep	259/2	256/4	260/4	258/4
Dec	255/2	252/6	256/0	252/2
Mar	262/0	259/6	263/0	260/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	367/0	354/0	369/0	356/4
Mar	368/2	356/6	369/4	358/0
May	348/4	339/2	349/6	340/0
Jul	326/2	318/4	327/0	319/2
Sep	329/0	324/0	329/0	325/0
Dec	340/4	335/4	340/4	336/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	74.55	74.87	75.15	74.07
Feb	75.10	74.75	75.15	74.50
Apr	75.10	74.72	75.35	74.62
Jun	71.20	70.57	71.25	70.75
Aug	69.10	68.47	69.20	68.80
Oct	69.50	69.00	69.60	69.50
Dec	70.55	70.25	70.60	70.50

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	42.82	41.80	42.65	41.82
Feb	43.22	42.82	43.35	42.80
Apr	40.75	40.30	40.95	40.40
Jun	45.87	45.77	46.00	45.60
Jul	45.90	46.80	45.95	45.70
Aug	44.72	44.65	44.72	44.45
Oct	41.25	41.05	41.25	41.15
Dec	41.80	41.80	0	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	40.40	40.15	40.62	40.00
Mar	40.30	39.97	40.42	39.80
May	41.52	41.15	41.57	40.90
Jul	42.15	41.97	[illegible]	41.70

LONDON STOCK EXCHANGE

Equity rally loses steam at the close

By Terry Byland, UK Stock Market Editor

A MORE encouraging performance from Wall Street overnight inspired a technical rally in the UK stock market yesterday. Also helping to restore London's shaken confidence were a number of corporate developments, including a £359m deal in the dairy industry and acceptable trading figures from Whitbread, the brewer, and from Courtaulds.

Early gains were cut back towards the close, however, when a strong opening on the Dow was trimmed to show a gain of only 6 points in UK hours. Hints that a large rights issue was pending were, however, not widely believed on the trading desks.

Interest rate nervousness remained unsettling ahead of today's meeting of the Bundesbank policy council. A steadier trend in the pound had no effect on the stock market's increasing pessimism on the outlook for UK base rates.

Account Dealing Dates		
*First Dealings:		
Nov 11	Nov 25	Dec 9
Option Declarations:		
Nov 21	Dec 5	Dec 23
Last Dealings:		
Nov 22	Dec 6	Dec 27
Account Day:		
Dec 2	Dec 16	Jan 6

*New-time dealings may take place from 8.30 am two business days earlier.

Equities opened higher, with overnight trends on both Wall Street and the US stock futures markets providing support to investment sentiment in London. A £227m rights issue from Northern Foods to fund part of its dairy operations purchase from Grand Metropolitan was taken calmly and the Footsie rallied 22.5 in early trading.

The gain was soon trimmed in the absence of genuine investment buying and London awaited with considerable caution the opening of the new trading session on the other side of the Atlantic. Wall Street was erratic in early deals and London's rise was reduced further. The final reading put the FT-SE Index at 2,472.6 for an improvement of 9.5 on the day.

Traders were in no doubt that yesterday's recovery was little more than a technical rally in a stock market which had fallen by more than 3 per cent since the close of business last Friday. More than one market strategist is now predicting that the Footsie is headed down towards 2,400.

Wall Street-influenced stocks recovered ground, led by ICI, Glaxo, Reuters, and Reckitt & Colman. The fall in first-half profits at Whitbread, although accompanied by a bearish comment on the outlook, was no surprise for City analysts. However, Whitbread's announcement did nothing to ease the City's doubts on the progress of the domestic economy.

Other corporate features helping to sustain the rally in equities included Hawker Siddeley, now virtually tracking the BTR offer price as the market awaits formal consummation of the takeover bid.

A £50m trading programme from a leading UK securities house enlivened trading at first, although volume died away when the programme appeared to be closed down, at least for the day.

There was a renewed fall in Maxwell Communication Corporation as it was reported that a leading Swiss bank was insisting on repayment of a £60m loan to a Maxwell company, apparently threatening the attempts to restructure the company's loan burden.

Seaq-reported volume dipped to 481.2m shares from the 507.5m recorded in the previous session. Stock Exchange statistics confirm that retail, or customer, business in equities increased sharply at the beginning of this week as Wall Street's setback provoked selling in London. However, the sell-off has been relatively modest. Retail business was worth £1bn on Monday and £1.1bn on Tuesday, compared with recent daily averages of £850m to £950m.

FINANCIAL TIMES STOCK INDICES

	Nov 20	Nov 19	Nov 18	Nov 15	Nov 14	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	86.72	86.72	86.83	86.90	86.99	81.30	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.39	96.40	96.49	96.54	96.57	88.48	97.17 (2/10)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1898.2	1887.8	1914.9	1948.6	1963.3	1676.0	2108.3 (2/9)	1606.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	156.5	153.2	151.9	149.8	149.7	155.2	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2472.6	2463.1	2502.9	2546.6	2561.6	2126.3	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1124.02†	1122.47	1134.49	1161.16	1164.85	-	1198.60 (3/6)	938.62 (16/1)	1188.60 (3/6/91)	938.62 (16/1/91)
●Ord. Div. Yield	5.16	5.18	5.11	5.03	4.99	5.78				
●Earning Yld %(full)	7.40	7.43	7.35	7.23	7.17	12.06				
●P/E Ratio(Net)(☆)	17.02	16.96	17.13	17.41	17.55	10.04				
SEAQ Bargns 4.45pm	25,821	26,955	33,963	24,917	25,430	24,126				
Equity Turnover(£m)†	-	1031.16	1122.13	932.03	964.77	800.79				
Equity Bargains†	-	25,835	32,383	24,497	24,999	22,339				
Shares Traded (ml)†	-	398.8	401.1	364.8	403.5	378.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 18.03. † Partial

Ordinary Share Index, Hourly changes — Day's High 1905.1 — Day's Low 1885.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1897.7	1902.8	1902.8	1900.7	1898.8	1899.0	1901.3	1900.5	1898.7

FT-SE 100, Hourly changes — Day's High 2485.5 — Day's Low 2469.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2474.3	2483.1	2482.0	2480.9	2478.3	2478.8	2479.7	2478.8	2473.0

FT-SE Eurotrack 200, Hourly changes †Day's High 1128.66 — Day's Low 1124.02

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1127.13	1126.31	1126.30	1125.35	1125.34	1125.72	1126.29

GILT EDGED ACTIVITY

Indices*	Nov 19	Nov 18
Gilt Edged Bargains	91.3	94.8
5-Day average	90.2	88.9

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Foods deals welcomed

A SHARP markdown by marketmakers of the Northern Foods share price after the Hull-based foods group announced a £227m rights issue, to fund acquisitions from Grand Metropolitan, was reversed after the market digested the implications of the deal.

The rights, a one-for-four at a deeply discounted 415p, will help fund Northern's purchase of Express Dairy and Eden Vale.

The rights offer news had been expected after Northern confirmed two weeks ago that it was involved in negotiations with GrandMet and would issue shares to finance the purchase.

Northern shares opened sharply lower at 488p but embarked on a strong rebound which left the stock a net 29 higher at 526p by the close. Specialists were favourably impressed by the terms of the rights issue, by the keen price paid for the acquisitions and by Northern's interim figures.

Dealers expect no problems for Northern's brokers in getting the rights issue away at what was described as a generous discount. GrandMet shares were marginally higher at 827p; analysts said the deal lowered the group's gearing by 10 points to around 70 per cent.

Slide in MCC

Increasing worries over the financial future of Maxwell Communication Corporation (MCC) pushed the shares sharply lower to close a net 10 off at 36p on turnover of 6.5m.

It was the heaviest percentage fall in the Footsie and came on the back of a drop of 14 on Tuesday. The shares now have the dubious honour of being the lowest priced among the top 100 stocks.

Mr Neil Blackley of the leading agency broker James Capel said: "There is just no support for the shares. I would not be surprised to see them drop below 30p today."

Uncertainties undermining the share price include talk that key Maxwell bankers are seeking a repayment freeze on loans to private firms controlled by the Maxwell family. Credit rating agency IBCA on Tuesday put the firm's debt on watch for a possible downgrading.

A growing belief that the Maxwell interest in Mirror Group Newspapers is likely to be sold off encouraged the shares to advance 12 to 126p.

C and W alert

The market was buzzing late in the session with stories that Cable and Wireless, the telecommunications group, may announce a £500m-plus rights issue along with its interim figures today. However, observers were sceptical and pointed to C and W's high gearing of around 38 per cent.

The cash-call rumours, which first emerged on Tuesday, built up strongly yesterday and brought another steep decline in the share price. The stock dropped 22 to 513p, having retreated 20 on Tuesday. Turnover came out at 3.8m, after the previous day's 4.6m.

Market estimates of the company's half-time profits range from £340m to £360m, with analysts looking for the dividend to be increased from 3.7p to 4.3p.

Dealers said the fund-raising speculation had been encouraged by news that C and W is participating in a consortium granted a telecoms licence in Australia.

Racal busy

Among the most heavily traded stocks in the market was Racal Electronics after the Department of Trade and Industry said the Williams takeover bid for Racal would be referred to the Monopolies and Mergers Commission because of the overlapping of the two group's locks businesses. Racal is the owner of Chubb and Williams owns Union.

The news saw Racal shares clipped back to 51p before stories that Williams would be happy to sell its locks business and was preparing a higher offer for Racal prompted a strong recovery in Racal shares. They closed a net penny higher at 54¼p with turnover reaching 22m.

There were suggestions yesterday that the underwriting for an increased offer for Racal was being put in place. Williams closed 6 off at 318p.

Brewing and retailing group Whitbread gained 9 to 432p for the "A" shares after announcing reduced but encouraging half-year results. Profits slipped 7 per cent but came in at the top end of analysts' forecasts at £142.5m. The results were boosted by a slightly higher contribution from property disposals, and most analysts held their full-year profits forecast at between £268m and £280m.

Mr Mike McCarthy of securities house Smith New Court, who changed his stance from a hold to a buy in spite of shaving his full-year estimate to £274m, said: "It is evident that Whitbread is extremely well-placed to take advantage of the upturn when it comes."

Bid target Hawker Siddeley moved a penny forward to 720p after predator BTR announced that it now speaks for 24.4 per cent of the Hawker shares. BTR closed 2 up at 381p.

Positive results from Courtaulds, and an announcement that it is to merge its acetate yarn interests with a subsidiary of Fiat, lifted the shares 3 to 476p on turnover of 1m.

The chemicals company's interim profits of £96.4m was well within the range of analysts' forecasts but still 10.5 per cent above last year's figure. The merger, which will involve Courtaulds in a new 50-50 owned company called Novaceta, will mean it will receive a net payment of £6.5m on completion of the deal, which requires EC approval.

Speculation that another profits forecast cut was in the wind led traders to mark down Fisons, which closed 5 off at 404p on turnover of 2.3m. The talk emerged after a line of 50,000 shares was offered at 2p below the market price and continued to be offered in after-hours' trading.

Forecasts have been reduced from a range of £270m to £280m to around £240m because of concern over a number of the company's drugs. Observers believed another cut was unlikely but Ms Barbara Arzymanow of Kleinwort Benson, who is looking for £235m for the current year, said: "There is still a credibility problem hanging over the company."

LIG lost 3 to 303p ahead of today's interim results. Analysts are looking for profits of between £20m and £24m, but Mr James Dodwell of County NatWest said problems with LIG's photo processing division could result in a figure below the bottom of expectations. Bid talk continued to bolster Smith & Nephew, 2 better at 136½p.

US-influenced stocks were strong. ICI bounced back above the £12 level to end 14 up at 1209p. Wellcome recovered 10 to 879p, Glaxo 9 to 795p and Reuters 9 to 870p.

Rothmans International rallied 10 to 1079p ahead of interim results due today. Poor results from its Australian subsidiary and Dunhill, in which it has a majority stake, have suggested that the figures will be disappointing.

NatWest were persistently bought late in the session, with some specialists said to be adopting a more positive view on the bank's US businesses. The stock put on 3 to 309p. Midland, still burdened by worries about its exposure to the Maxwell empire, lost 4 to 218p.

There were few surprises in the Commercial Union results and the shares held at 468p, but Royal Insurance was notably firmer at 291p, up 17, with the stock said to be reflecting the closing of a short position in the market.

Willis Corroon fell 15 to 239p after the nine months figures and an uninspiring post-results meeting with analysts.

Property shares gave a strong performance but gains were said to have owed more to some dealers closing short positions than to any bullish stories.

MEPC led the sector higher, closing 12 firmer at 453p on relatively thin turnover of 1.6m. The group is scheduled to report preliminary results a week today. Specialists said the market is expecting MEPC to reveal a net asset value (nav) of around 600p to 630p a share, down from last year's 790p figure. "If the nav figure begins with a five, then the shares will drop like a stone," said one dealer.

British Airways added 5 at 210p on turnover of 3.8m on profit-taking after the market took a more cautious view about the prospect of a merger between BA and KLM, the Dutch flag carrier.

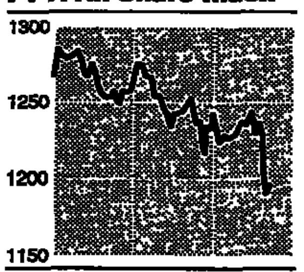
A 16 per cent rise in interim profits and an increased dividend lifted Vosper Thornycroft 6 to 284p. Charterhouse Tilney lifted its full-year profits forecast by £500,000 to £16.5m.

Tomkins shed 9 to 387p after its broker, County NatWest, indicated that the shares were unlikely to continue outperforming the market.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Steve Thompson.

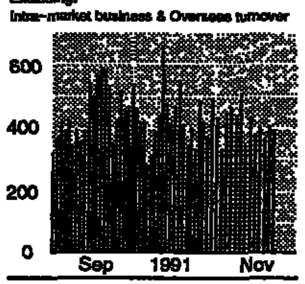
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 30.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (30).
BRITISH FUNDS (13) Tr.2pc 1992, Tr.2pc IL '96, Tr.2½pc IL '01, Tr.2½pc IL '03, Tr.2pc IL '06, Tr.2½pc IL '09, Tr. 2½pc IL '11, Tr.2½pc IL '13, Tr.2½pc IL '16, Tr.2½pc IL '20, CHEMICALS (1) Physu, STORES (1) Sharl, ELECTRICALS (2) Kewill Systems, Pelon, ENGINEERING (3) Carclo, Chemring, Victaulic, HOTELS (1) Resort, INDUSTRIALS (5) Apollo Metals, Granada 7.5p Prf., Serco, Sidlaw, Wilkes (J), LEISURE (1) First Leis., NEWSPAPERS (1) Mirror, SOUTH AFRICANS (1) Barlow Rand, TRANSPORT (1) BAA, TRUSTS (3) Abtrust Pkl. Inc., Close Bros., Scottish Natl. Stepped Prf.
NEW LOWS (53).
AMERICANS (2) IBM, Pennzoil, CANADIANS(2) Gulf Canada, Imperial Oil, BUILDINGS (4) Bucknall, RMC, Redland, Taylor Woodrow, CHEMICALS (1) Leigh Interests, STORES (1) Storehouse, ELECTRICALS (2) Ericsson (LM), Wharfedale, ENGINEERING (4) ASW, Elliott (B), Ferrum, Simon, FOODS (4) Global, REA, Tesco, Usborne, INDUSTRIALS (4) Dover, Panna, Pilkington, T & N, INSURANCE (4) Gen. Accident, Sedgwick, USF & G, Willis Corroon, LEISURE (2) Midlands Radio, TV-am, MOTORS (1) European Motor, NEWSPAPERS (1) Maxwell Comm., PAPERS (2) SBB Design, Buhrmann-Tetterode, PROPERTY (2) BHH, Ossory Ests., SHOES (1) Future, TEXTILES (2) Gaskell, Lister, TRANSPORT (2) All Nippon Airways, Lep, TRUSTS (8) Caledonia, Drayton Eng. & Intl., Do. Wrrnts., Eng. & Caledonian, Fleming Emg. Mkts. Wrrnts., French Prop., OILS (5) Conroy Pet., Firstland, Midland & Scottish Res., Norsk Hydro, Sceptre Res., MINES (1) Waverley Mining Fin.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ADT	15	385	+2	Cookson	2,100	103	+4	Lucas	9,300	125	+½	Severn Trent Water	1,100	306	-3
ASDA Group	5,200	41	+1	Courtaulds	1,000	476	+3	MB Caradon	848	236	+3	Shell Transport	6,000	502	-2
Abbey National	1,400	279		Dalgety	751	358	-2	MEPC	1,600	453	+12	Siebe	531	455	
Albert Fisher	2,200	85	+1	De La Rue	218	449		Manweb	525	287	-1	Slough Ests	850	231	+2
Allied-Lyons	2,700	592	+1	Dixons	1,600	228	+1	Marks & Spencer	1,400	282	+2	Smith (W.H.) A	781	474	+2
Amstrad	988	31	+1	ECC Group	214	473	+1	Maxwell Comms.	6,500	36	-10	Smith & Nephew	5,180	136½	+2
Anglian Water	507	351	-2	Eastern Elect.	1,300	238	-1	Midland Bank	2,400	218	-4	SmKl Beecham	1,100	813	+4
Argos	281	311	+3	East Midlands Elect.	271	244	+2	Midlands Elect.	477	252	+5	SmKl Beecham Uts	81	[illegible]	+10
Argyll Group	3,200	257	-2	Enterprise Oil	1,200	521	+4	NFC	587	229	+3	Smiths Inds.	78	233	+1
Arjo Wiggins	1,800	254	-3	Eurotunnel Units	341	393	+11	NatWest Bank	2,400	309	+3	Southern Elect.	81	248	+4
Ass. Brit. Foods	687	429	-2	FKI	885	52	+1	National Power	851	148	+2	South Wales Elect.	55	303	+2
[illegible]				[illegible]				[illegible]				[illegible]			
British Land	476	290	+6	IMI	563	223		Redland	753	570	+9	Unilever	1,500	826	
BP	8,400	314½	+½	ICI	1,800	1209	+14	Rolls Royce	3,200	133	+5	United Biscuits	1,300	377	+3
British Steel	10,000	81	+2½	Inchcape	651	391	+4	Rothmans	141	1079	+10	Utd. Newspapers	182	371	+4
British Telecom	2,700	351	+1	Kingfisher	912	532	+2	Ryl Bk. Scotland	571	171	-1	Vodafone	1,900	355	-1
Bunzl	2,100	83		Ladbroke	2,000	250½	+½	Royal Insurance	1,200	291	+17	Wellcome	1,200	879	+10
Burmah Castrol	486	536	+8	Land Securities	882	455	+5	Saatchi	3,200	13¼		Welsh Water	201	368	-1
Burton	5,100	44	+1	Laporte	55	584	+5	Sainsbury	4,800	330		Wessex Water	140	385	+4
Cable & Wire.	4,000	513	-22	Legal & General	517	382	+6	Scottish & New	719	389	+5	Whitbread 'A'	2,700	441	+9
Cadburys	1,500	399		Lloyds Abbey	880	386	-1	Scot. Hydro-Elect.	975	102		Williams Hldgs.	1,200	318	-6
Calor Group	106	245	-4	Lloyds Bank	1,100	387	+3	Scottish Power	4,700	100	+1	Willis Corroon	2,800	240½	-13½
Carlton Comms.	503	486	-3	LASMO	853	285	+1	Sears	4,300	98	+2	Wimpey	674	151	
Coats Viyella	3,000	178	+4	London Elect.	1,500	244	+6	Sedgwick	1,500	219	-1	Yorkshire Elect.	375	286	+2
Consu. Union	573	498		Lowrho	1,400	224	+3	Seaboard	5	252		Yorkshire Water	94	363	+2

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

SPORADIC buying following the recent wave of selling returned to Footsie futures as turnover fell back to average levels, writes Joel Kibazo.

Buyers of the December contract were seen at the opening but they faded away by mid-morning, leaving December to drift lower.

Better than expected US housing start figures provided the stimulus for another bout of buying activity after lunch, but selling by institutions looking to hedge against further falls in the cash markets trimmed further rises.

December drifted lower for the rest of the session, eventually closing at 2,494, up 17 on the previous session and around its estimated fair value premium to cash of 21.

In traded options, turnover of 32,244 was also down on the previous session but the expiry of the November stock options boosted volumes.

Sears was the busiest stock option with a day's total of 2,139. This was followed by BTR and BT, both with November expiries. They saw 2,128 and 2,041 lots dealt respectively.

British Gas, whose interim figures are expected today, was the fourth biggest stock option, trading 1,444 contracts. BAA and Guinness were also active.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
[illegible]						
Five to Fifteen Years						
[illegible]						

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
111	102	Treas. 11½pc 2001-04	109⅞xd	-⅛	10.51	9.92
62⅛	53⅛	Funding 3½pc '99-04	60⅞	.....	5.76	8.65
100⅜	90⅞	Conversion 9½pc 2004	98⅝	-⅛	9.63	9.68
100⅞	97⅞	Cv 9½pc 2004 A	98⅝	-⅛	9.63	9.68
[illegible]						
Over Fifteen Years						
[illegible]						
Undated						
[illegible]						
Index-Linked						
[illegible]						

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
107⅞	95⅞	African Dv Bk 11¼Ln 2010	105⅞	-½	10.58	10.44
102⅛	91⅞	Asian Dev Bk 10¼pcLn2009	100⅞	-⅛	10.20	10.17
116⅛	105⅞	Int-Am Dev Bk 12½pc 2003	114	-⅛	10.96	10.33
97⅞	86⅞	Do. 9½pc Ln 2015	95⅞	-⅛	10.20	10.25
[illegible]						

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

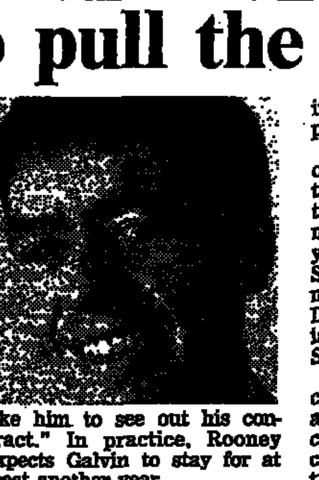
FOREIGN BONDS & RAILS

[illegible]

Continued on next page

APPOINTMENTS

Trying to pull the plug



Parting from SPRING RAM Corporation is proving difficult for Francis Galvin, one of the two highest paid directors at the kitchens and bathrooms group based near Leeds.

Galvin, 40, has resigned from the main board, but is being obliged to serve out his two years' notice.

He raised about £500,000 by selling shares and share options in June and it seems he is keen to set up his own business. The suspicion that this may well be in kitchens, where he is Spring Ram's divisional head, is one reason for the reluctance to let him go.

Bill Rooney, the chairman, who had employed Galvin in the 1970s before taking him on at Spring Ram in 1982, says: "Everyone here has a two-year service agreement; we would like him to see out his contract." In practice, Rooney expects Galvin to stay for at least another year.

He describes Galvin as a "hands-on man, happier in a small company environment". Last year, Galvin and David Riley, his counterpart in bathrooms, earned £108,000 each including bonuses. Rooney was paid less.

From January, Galvin's role on the main board will be taken up by Alan Bell, one of two directors whose appointments were also announced yesterday. Bell, 43, joined Spring Ram in 1988 and as managing director of Next Dimension, a kitchens subsidiary, runs the group's huge Scunthorpe factory.

Ron Farr, 49, heads Astracast, the group's most profitable subsidiary with 42 per cent of the UK "kitchen workcentre" market. His board position is a new one and the group has yet to think of a name for his division – which includes Astracast, international sales and doors. The working title is "odds and sods".

Revving up

PREFERRED ASSURANCE, the Camberley-based direct motor insurer, has appointed a new md as part of a bid to increase its share of the highly competitive motor insurance market.

Martin Bateman, 48, learned his trade with Legal & General, Bishopsgate and Allstate, before joining Top UK, a direct writing subsidiary of Denmark's Topdanmark group in 1987. In April Top UK acquired Preferred from its former owner, Baltica, another Copenhagen-based insurer. Bateman will now head the merged subsidiary grouping, which could become a significant force in direct market – where companies sell via a combination of advertising in the mass media and on the telephone.

Preferred will be aiming to emulate the achievements of companies such as Churchill, the subsidiary of the Swiss insurer, Winterthur, which are building market share by such direct selling techniques. The company expects to write more than 100,000 policies in 1992 covering both vehicles and home contents.

■ Brian Clark, the author of a work on interrogation, has just joined BISHOP INTERNATIONAL, the City investigators. Formerly with HM Customs, Clark has been recruited for his speciality, "forensic accountancy". The chairman of the City sleuths is Bob Bishop, who helped resolve the Brinks-mat bullion robbery. Clark and the md Peter Steeger, formerly of Scotland Yard, have some mutual acquaintances; when the crooks Steeger arrested for armed robbery had given that up, Clark collared them when they moved on to drugs trafficking.

■ HAYS announces the appointment of David Jackson as finance director and of Peter McLoughlin a director of Hays Distribution Services; of Ray Gudge as md and John Moyes as business development director of its Specialist Distribution division.

■ NORCROS announces the appointment of David Walker as sales director of its Crosby Sarek subsidiary.

■ Alan Webb is moving to become finance director of SHEFFIELD DEVELOPMENT CORPORATION from finance director of the Tootal group.

■ Brian Mutton is promoted to director Atlantic region for Northwest Cargo, a division of Northwest Airlines, based at Gatwick.

■ David Maitland is moving from BP Exploration to become financial director of Aberdeen Service Co, a division of the SIDLAW group.

■ BRITISH SUGAR has appointed as directors Harvey Davenport, agriculture and purchasing, William Francis, personnel, John Sutcliffe, sales and marketing, Christopher Yates, finance.

■ Michael Burgoyne has been appointed divisional director, corporate development of Matthew Hall, part of the AMEC group.

Following a report, 'KPMG Consultancy Chairman' published on November 18, KPMG Management Consulting points out that its worldwide fee income increased by 20.5 per cent to $784.5m in the year to end September 1990.

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Share Code Booklet ring 071-925-2128

AMERICANS

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ELECTRICITY

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

هكذا من الأصل

LONDON SHARE SERVICE

● [illegible] available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Share Code Booklet ring 071-925-2128

LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUSTS

INVESTMENT TRUSTS—Contd

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

FINANCE, LAND, ETC—Contd

1991 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
56	33	Singer & Friedlander	43	....	2.5	1.7	7.8	9.9
149	95	Smith New Court	120	....	3.5	1.2	3.9	26.9
87	61	Do. Cnv Prf 50p	74	....	6.5	–	11.7	–
131	108	South America Fund	108	....	–	–	–	–
51	40	Do. Warrants	42	....	–	–	–	–
419	254	South East Asia Wnts	342	....	–	–	–	–
58	27	Sterling Trust 10p	56	....	4.0	0.5	9.5	5.1

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

MINES—Contd

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	625xd	......
Finlay Pkg. 5p	45	......
Holt (Jos) 25p	2040	......
Heiton Hldgs	36	+1
IRG	123¼	......
United Drug	170	......

IRISH

Cap. 8½% Ln. 2010	£96¼	−⅛
9pc Cap Ln. 1996	£98¼	−⅛
Fin. 13% 97/02	£114½	....
Arnotts	180xd	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	50
Amstrad	6
Astec (BSR)	5
BAT	53
BOC Grp	48
BTR	33
Barclays	34
Blue Circle	28
Boots	39
Bowaters	55
Brit Aerospace	35
British Steel	10
Brit. Telecom	33
Cadburys	35
Charter Cons	42
Comm Union	40
Courtaulds	38
Eurotunnel	50
FKI	5
FNFC	10
Forte	21
Gen Accident	43
GEC	16
Glaxo	110
Grand Met	67
Guardian	14
GKN	28
Hanson	17
Hawker Sidd	55
ICI	95
Ladbroke	21
Legal & Gen	33
Lex Service	16
Lloyds Bank	30
Lucas Inds	12
Marks & Spencer	21
Midland Bk	20
Nat West Bk	26
P & O Dfd	41
Racal Elect	6
RHM	23
Rank Org Ord	55
Ratners	12
Reed Intnl	35
Sears	8½
SmKl. Beecham A	53
TI	39
TSB	12
Tesco	21
Thorn EMI	65
T&N	14
Unilever	60
Vickers	16
Wellcome	60

Property

Brit Land	27
Control Secs	2
Land Securities	41
MEPC	42
Mountleigh	4

Oils

Ariva Petlm	3
Brit Petroleum	26
Burmah Castrol	47
Conroy Petlm	8
Gaelic Res	1
Premier	4
Shell	40
Tuskar Res	1
Ultramar	20

Mines

Lonrho	20
RTZ	46

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
Gilts & Fixed Int	6	116.8	116.8	123.9	+0.2	8.38
High Inc Equity	6	128.0	131.3xd	139.6	-0.5	6.09
Worldwide Bond	6	209.8	209.8xd	222.4	-0.4	6.74
Capital Growth						
American Growth	6	191.5	191.5	204.5	-3.1	1.09
Asian Pacific	6	118.2	120.6	128.2	-0.8	1.22
Assets & Earnings	6	176.6	180.4xd	191.9	-0.8	3.13
Capital Reserve Acc	0	110.2	110.2	110.2	.....	6.88
Capital Reserve Inc	0	87.15	87.15	87.18	+0.01	6.88
Comdty & Energy	6	73.48	73.48	78.58	+0.31	1.73
1992 Enterprise	6	64.30	64.30	68.77	-0.67	3.00
Euro Capital Acc	6	85.14	85.14	91.05	-0.96	1.14
Euro Capital Inc	6	81.35	81.35	87.00	-0.44	1.15
General	6	170.5	170.5	182.3	-1.0	2.74
Japan	6	93.26	94.29xd	100.3	-0.8	–
Mastertrust	6	88.52	88.52	94.67	-0.55	2.70
UK Growth Acc	6	170.8	178.3	189.6	-0.8	2.10
UK Growth Dist	6	108.5	113.3xd	120.5	-0.5	2.14
US Emerging Cos	6	70.47	71.70	76.27	-1.09	–
Income & Growth	6	293.1	293.1xd	313.4	-2.5	4.47
Ethical	6	53.33	54.73	58.22	-0.21	2.68
International	6	60.51	61.31	65.22	-0.49	1.35
Dividend & Growth	6	47.80	49.02	52.14	-0.30	5.75
Global Gwth & Sec	6	52.51	52.76	56.12	-0.22	3.10

Aberforth Unit Trust Managers Ltd (1600)F
14 Chester St, Edinburgh EH3 7RA 031 220 0733

Bishopsgate Progressive Mgmt Co (1200)F
15 St James' Place, London SW1A 1NW 071-493 8111

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Progressive Inc	5	18.05	18.05	19.05		0.97
Progressive Acc	5	27.20	27.20	28.71	...	0.97
International Inc	5	18.81	18.81	19.85	-0.97	0.59
International Acc	5	25.52	25.52	26.93	-1.32	0.59
Can & Foreign Inc	5	228.1	228.1	240.7	...	0.36
Can & Foreign Acc	5	272.6	272.6	287.7	...	0.36
Special Sits Inc	5	201.9	201.9	213.1		1.99
Special Sits Acc	5	219.3	219.3	231.5		1.99
PEP Inc	5	132.7	135.8	143.3		2.19
PEP Acc	5	141.7	145.0	153.0	...	2.19
Growth Inc	5	78.47	78.47	82.82	...	0.42
Growth Acc	5	79.27	79.27	83.66	..	0.42

Brewin Dolphin Unit Tst Mgrs Ltd (0905)F
5 Giltspur St, London EC1A 9DE 071-236 6441

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Dolphin Special Sits	5½	120.2	120.2	128.5	-1.4	3.43
Dolphin Dividend	5½	56.61	56.61	60.54	-0.48	6.29
Dolphin Int Inc & Gth	5½	152.9	152.9	163.5	-1.9	4.34
Dolphin Uk & Gen	5½	34.76	34.76	37.17	-0.42	1.90
Dolphin Fund of Funds	5½	46.56	46.56	49.79	..	1.29

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	76.01	76.01	81.29	-0.32	2.71
Do (Accum)	6	81.40	81.40	87.06	-0.35	2.71
Service Cos	6	66.14	66.14xd	70.73	-0.41	1.98
Do (Accum)	6	70.24	70.24	75.12	-0.43	1.98
Income Growth	6	41.33	41.33	44.20	-0.05	5.59
Do (Accum)	6	58.19	58.19	62.23	-0.07	5.59
Higher Yield	6	31.39	31.39	33.57	-0.04	4.90
Do (Accum)	6	40.21	40.21	43.00	-0.05	4.90
American Gth Inc	6	32.40	32.40	34.65	-0.75	1.08
Do (Accum)	6	33.01	33.01	35.31	-0.77	1.08
European Growth	6	24.58	24.58	26.29	+0.07	1.40
Do (Accum)	6	25.27	25.27	27.02	+0.07	1.40
Global Bond Inc	6	22.50	22.56xd	24.13	+0.02	6.03
Do (Accum)	6	26.70	26.77	28.63	+0.02	6.03
Managed P'folio Inc	6	24.97	25.03	26.77	-0.13	–

Commercial Union Tst Mgrs – Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
PPT UK	6	97.11	97.11	103.31	+0.20	2.17
PPT North American	6	99.25	99.25	105.59	-0.11	0.29
PPT Gold & Comdty	6	44.16	44.16	46.98	-0.02	0.00
PPT S'pore & Malaya	6	66.84	66.84	71.11	-0.19	0.00
PPT Global Bond	6	62.65	62.65	66.84	-0.14	5.10
PPT Thai	6	33.36	33.36	35.49	-0.40	0.81
PPT Cash	0	84.09	84.09	84.09	+0.02	9.93
Exempt Unit Tst	4	113.12	113.12	120.16	+0.39	4.97
Exempt Smllr Cos	3½	247.46	247.46	267.22	–	1.40

Confederation Funds Mngt Ltd (1200)F
Lytton Way, Stevenage, Herts SG1 2NN 0438 744840

Murray Johnstone UT Mgmt (1000)H
7 West Nile St, Glasgow G2 2PX 0345 090 933

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Acumen	5	68.35	68.48	73.09	-0.46	5.65
Acumen Reserve	3	66.28	66.28	68.26	...	7.68
American Income	5	124.42	124.50	131.80	-2.20	3.61
Equity Income	5	79.75	79.75	85.11	-0.51	5.91
European	5	52.42	52.42	55.83	-0.46	1.15
Far Eastern	5	104.90	105.00	112.00	-1.10	0.93
Smaller Cos	5	47.56	47.55xd	50.74	-0.19	3.17
Olympiad	5½	45.05	45.05	47.97	-0.41	0.69
Olympiad Income	5½	41.96	41.96xd	44.75	-0.40	5.66
UK Growth	5	73.93	74.50	79.51	-0.42	1.56

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices a... minute peak and 36p off peak, inc VA... (071) 925-2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	49.68	49.68xd	50.17	+0.01	10.6
Cotrild Primace	5¼	48.10	48.41	51.64	-0.13	9.30
Ethical	5¼	48.56	49.62	52.79	-0.25	4.77
European Growth	5¼	46.10	46.19	49.27	-0.42	3.00
Income	5¼	45.65	46.21	49.29	-0.22	7.70
Intl Growth	5¼	62.50	62.97	67.17	-0.66	3.39
Managed	5¼	56.66	57.36	61.18	-0.50	4.65
UK Growth	5¼	49.82	50.49	53.86	-0.33	5.75
Standard Chartered Equitor (1200)F						
69 Old Broad Street, EC2M 1QS 071-280 6523						
Mngd Exempt Acc	3	189.8	192.0	200.0	-0.5	3.08
Do Income	3	182.1	183.3	190.9	-0.3	3.08
Standard Life Tst Mngmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5¼	34.74	34.74	36.92	-0.4	2.43
UK Equity Gth Acc	5¼	46.45	47.35	50.31	-0.6	2.17
UK Eq High Inc Inc	5¼	30.23	30.90xd	32.84	-0.7	5.93
UK Eq High Inc Acc	5¼	34.00	34.74	36.92	-0.7	5.93
UK Equity Gen Acc	5¼	44.55	45.29	48.13	-0.7	3.45
UK Equity Gen Inc	5¼	34.86	35.44	37.66	-1.6	3.45
UK Larger Cos Acc F	7½	290.2	294.1	319.2	-4.6	4.64
UK Larger Cos Inc F	7½	233.6	236.8	257.0	-3.7	4.64
Gilt & Fxd Int Inc	5¼	27.53	27.61xd	29.20		7.67
O'seas Lrg Co Acc F	7½	204.4	208.5	226.3	-2.0	2.27
Nth American Acc	5¼	32.65	32.85	34.91	-0.5	0.80
Far East Acc	5¼	39.84	40.81	43.37		0.07
European Acc	5¼	32.78	34.47	36.63	-0.3	1.60

	Bid Price	Offer Price	+ or -	Yield Gross
Funds in Court*				
Capital Nov 14	496.08	499.74xd	..	2.83
Gross Nov 14	185.47	186.97	....	10.43
High Yield Nov 14	291.83	294.17	..	7.48
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	51.31	52.4xd	+0.02	4.08
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1145.0	1234.0	....	-
Mngd Pens (Acc)	66.1	70.5	..	-
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440.0	2680.0	....	6.00
Inc Gilt Pro Apr 16	£1325.0	1460.0	..	7.20
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Nov 20	£3979.6	4154.4	-10.80	3.93
European Nov 20	£538.8	545.0	-8.80	2.08
American Nov 20	£330.8	334.1	-19.00	2.43
Japan Nov 20	£477.1	482.7	-27.60	1.35
Pacific Nov 20	£134.5	138.1	-4.70	2.01
W Midlands Sep 30	£147.60	164.90	..	2.48
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Oct 31	193.25	197.20	..	7.85

	Bid Price	Offer Price	+ or -	Yield Gross
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Life Funds				
Fixed Int. Dep. Acc	324.8	341.9	..	-
Equity Acc	1003.8	1056.7	-1.6	-
Property Acc	487.0	512.7	..	-
Far East Acc	194.9	205.2	-1.7	-
European Acc	25.0	26.4	-0.1	-
Managed Cap	419.6	441.7	-0.7	-
Managed Acc	785.8	827.2	-1.1	-
O'seas Earnings Acc	709.0	746.4	-0.4	-
Gilt Edged Acc	371.3	390.9	-0.2	-
American Equity Acc	529.3	557.2	-7.9	-
American Man Acc	236.0			
American Prop Acc	122.0			
High Income Acc	23.4			
Gen 4				
Fixed Int Dep Acc	27.0			
Equity Acc	26.3			
Property Acc	23.2			
Far East Acc	22.7			
European Acc	21.1			
Managed Acc	26.3			
Overseas Acc	27.4			
Gilt Acc	28.8			
Am Equity Acc	26.2			
Am Managed Acc	25.5			
Am Property Acc	21.0			
High Income Acc	23.4			
High Income Ser 2	23.4			

	Bid Price	Offer Price	+ or -	Yield Gross
Century Life Plc				
2 Eyre Street Hill, London EC1R 5AE 071-278 4488				
City Of Edinburgh Life Assurance				
Life Funds				
Far East Emerg Econ	36.8	38.6	-0.3	-
Fund of Inv Tsts	58.0	60.9	-0.2	-
Money	155.3	163.0	+0.1	-
Special Situations	83.1	87.3	-0.3	-
UK Growth	126.0	132.3	-0.5	-
World Growth	118.0	123.9	-0.8	-

	Bid Price	Offer Price	+ or -	Yield Gross
Eagle Star Life Assurance Co Ltd				
Bath Road, Cheltenham GL53 7LQ 0242 221 311				
Secure Fund	152.6	160.7	+0.1	-
Blue Chip Fund	182.2	191.8	-1.6	-
Performance Fund	175.4	184.7	-2.2	-
Adventurous Fund	157.4	165.7	-1.6	-
Blue Chip Fd (2nd Series)	115.2	121.3	-1.0	-
Performance Fd (2nd Ser)	111.4	117.3	-1.4	-
Adventurous Fd (2nd Ser)	115.9	122.1	-1.1	-
UK Pref & Fixed Int Fd	114.4	120.5		-
UK Equity Fund	113.0	119.0	-0.9	-
Property Fund	100.8	106.2	....	-

	Bid Price	Offer Price	+ or -	Yield Gross
Guardian Royal Exchange				
Royal Exchange, EC3 071-283 7101				
Guardian Assurance				
Property Bonds	668.8	696.4		-
Choices With-Pfts Lg-tm	131.6	138.5	..	-
Choices With-Pfts St-tm	123.5	130.0	....	-
Choices Managed	149.0	156.8	-0.1	-
Choices Equity	152.5	160.5		-
Freedom With Pfts Long-Tm	107.2	112.8		-
Freedom With Pfts Short-Tm	106.3	111.9	+0.1	-
Freedom Managed	89.6	94.3	-0.4	-
Freedom Equity	86.8	91.4	-0.3	1.69

	Bid Price	Offer Price	+ or -	Yield Gross
Legal & General – Contd.				
Unit Pensions				
Kingswood, Surrey, KT20 6TH 0737 370370				
Ex Bldg. Soc. Unid	159.5	167.9		-
Do Accum	202.2	212.9		-
Exempt Cash Init	283.6	298.6	+0.1	-
Do Accum	453.2	477.1	+0.2	-
Exempt Eqty Init	844.9	889.4	-0.6	-
Do Accum	1350.0	1421.1	-0.9	-
Exempt Euro Init	153.4	161.5	-0.8	-
Do Accum	188.5	198.5	-0.8	-
Exempt Far East'n Init	203.8	214.6	-2.4	-

	Bid Price	Offer Price	+ or -	Yield Gross
Manulife Group – Contd.				
Pension Fund Prices				
Managed Init		322.9		-
Do Accum		480.2		-
Property Init		318.2		-
Do Accum		474.1		-
Equity Init		391.1		-
Do Accum		582.8		-
Gilt-Edged Init		264.9		-
Do Accum		408.6		-
Guaranteed Init		210.0		-
Do Accum		316.0		-

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd.	105.0	110.5	.....	-
Pension Managed Fd.	103.5	109.0	.....	-
Life Deposit Fd.	110.7	116.6	.....	-
Pension Deposit Fd.	117.4	123.6	.....	-

For National Fin see Target Life

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

Harvester Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	163.9	172.6	-6.3	-
UK Equity	171.9	181.0	-8.7	-
Overseas Equity	130.8	137.7	-5.3	-
Fixed Interest	155.5	163.7	-0.3	-
Property	129.2	136.0	-4.9	-
Index Linked	152.6	160.7	+0.2	-
Deposit	163.7	172.4	+0.1	-
With Profits (B)	134.2	141.4	+0.3	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	346.8	365.1	-0.8	-
UK Equity	435.9	458.9	-1.1	-
Overseas Eq.	329.6	347.0	-2.7	-
American	276.0	290.6	-5.2	-
Far East	354.7	373.4	-3.7	-
Property	194.0	204.3	-0.1	-
Fixed Int.	271.9	286.3	+0.1	-
Indexed Gilt	162.5	171.1	+0.2	-
Deposit	187.8	197.7	.....	-
With Profit	104.9	110.4	.....	-
Pension Fund (Accum Units)				
Managed	500.2	526.6	-1.8	-
UK Equity	590.6	621.7	-1.4	-
Overseas Eq.	557.2	586.6	-6.1	-
Americas	347.4	365.7	-4.7	-
Far East	578.7	609.2	-5.6	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc.	222.5	234.8	(z)	-
UK Fixed Int Acc.	187.1	197.4	(z)	-
Intl Equities Acc.	171.6	181.1	(z)	-
UK Managed Acc.	172.4	181.8	(z)	-
Property Acc.	225.7	238.1	(z)	-
Money Acc.	133.6	141.0	(z)	-
Special Market Acc.	145.7	153.7	(z)	-
Japan Equity Acc.	96.6	101.9	(z)	-
North American Acc.	96.9	102.3	(z)	-
Pacific Acc.	92.6	97.7	(z)	-
Technology Acc.	117.5	124.0	(z)	-
Nat Resources Acc.	53.8	56.8	(z)	-
European Acc.	98.2	103.6	(z)	-
Residential Prop Acc.	90.6	95.6	(z)	-
Swiss Equities Acc.	32.9	34.8	(z)	-
Hong Kong Acc.	69.2	73.0	(z)	-
UK High Inc Eq Acc.	71.6	75.6	(z)	-
Int Fixed Interest Acc.	60.4	63.8	(z)	-
Int Managed Acc.	93.9	98.9	(z)	-
HIP Managed Acc.	115.5	121.8	(z)	-
HIP Managed II Acc.	100.2	105.6	(z)	-
HIP Managed III Acc.	108.3	114.2	(z)	-
Total Investment Bond				
UK Equity Initial		151.0	(z)	-
UK Fixed Int. Initial		127.1	(z)	-
Intl Equities Initial		115.7	(z)	-
UK Managed Initial		117.1	(z)	-
Property Initial		154.4	(z)	-
Money Initial		91.2	(z)	-
Special Market Initial		112.8	(z)	-
Japan Equity Initial		74.7	(z)	-
North American Initial		75.0	(z)	-
Pacific Initial		71.7	(z)	-
Technology Initial		91.0	(z)	-
Nat. Resources Initial		41.7	(z)	-
European Initial		87.8	(z)	-
Residential Prop Init.		86.3	(z)	-
Swiss Equities Initial		31.4	(z)	-
Hong Kong Initial		65.8	(z)	-
UK High Inc Eq Init.		68.2	(z)	-
Int. Fixed Interest Init.		58.3	(z)	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Skandia Life Assurance Co Ltd—Contd.
Unit Trust Life Managed Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Abtrust Managed	89.3	93.9	+0.1	-
Baring Managed	102.2	107.5	.....	-
CU Managed	178.5	187.8	-1.6	-
Fidelity Managed	133.9	140.9	-0.1	-
Framlington Managed	172.9	182.0	-0.2	-
Gartmore Managed	181.7	191.2	-0.8	-
Henderson Managed	180.7	190.2	-0.1	-
James Capel Mngd	102.6	108.0	-0.4	-
Kleinwort Benson Mngd	108.9	114.6	-0.9	-
Martin Currie Mngd	110.2	116.0	+0.4	-
MIM Britannia Managed	145.7	153.3	+0.3	-
Morgan Grenfell Mngd	103.3	108.7	+0.1	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Target Life Assurance Co Ltd—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Worldwide Income	213.0	224.3	(z)	-
Australian	24.2	25.5	(z)	-
Japan & General	327.1	344.4	(z)	-
Gold & General	58.6	61.7	(z)	-
Financial	205.0	215.8	(z)	-
Income	291.0	306.4	(z)	-
UK Capital	190.6	200.7	(z)	-
Preference	196.3	206.7	(z)	-
International Bond	91.3	96.2	(z)	-
European Spec. Sits.	185.2	195.0	(z)	-
Sterling		10.8		
Residential Property	95.8	100.9	(z)	-
Pension Funds				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Equitable Life (International)
Albert Hs, Sth Esplanade, St Peter Pt, Gsy 0481 716021

	Bid Price	Offer Price	+ or -	Yield Gross
European	115.0	121.1	-0.7	-
Far Eastern	342.6	360.6	-2.9	-
Fund of Inv Tsts.	248.4	261.5	+0.9	-
Gilt & Fixed Interest	172.0	181.1	-0.3	-
High Income	295.6	311.2	+1.7	-
International Growth	152.0	160.0	-1.1	-
Managed	211.5	222.6	+0.1	-
Money	201.3	211.9	.....	-
North American	157.7	166.0	-0.8	-
Pelican	239.1	251.7	+1.1	-
Property	186.4	196.2	.....	-
Smaller Companies	118.3	124.5	[illegible]	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Independent Financial Group PLC
Windsor Ct, Clarence Dr, Harrogate 0423 523311

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Funds				
IFG Int. Bal Portf.		97.2		
APM Managed (Skd/z)	170.9	179.8	-0.2	-
APM B.I. & Growth	110.8	116.9	.....	-
APM Bond Fund (Target)	104.8	110.4	.....	-
APM Univ Bd (S & P)	49.5	52.4	.....	-
Pension Managed Funds				
APM Exclusive Pen (IIIR)	156.8	165.1	.....	-
APM Mngd Pen (Skd/z)	640.2	673.8	-0.8	-
APM Mngd Pen (Target)	80.4	86.9	.....	-
IFG Int Max Pens.	65.0	68.8	.....	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)

[illegible]

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

Baring International Fd Mngrs (Ireland) Ltd	Bid Price	Offer Price	+ or -	Yield Gross
Australia	$17.27	18.14	-0.32	1.06
Japan Tech	$58.56	61.49	-0.83	-
Japan Fund	$24.65	25.89	-0.30	0.17
Japan New Gen Fd	$19.00	19.95	-0.20	-
Malay Sing	$53.74	56.43	-0.22	0.31
Nth American	$21.63	22.72	-0.47	0.58
Octopus Fund	$22.07	23.18	-0.17	0.88
Pacific Fd	$62.56	65.69	-0.81	-
International Bond	$17.88	18.78	-0.06	6.89
Europa Fund	$13.50	14.18	-0.18	-
British Screen Fd	$0.92	0.97		-
Trinity Warrant	$11.28	11.85	-0.12	-
Hong Kong	$52.85	55.50	-0.77	3.09
Mngd Portfolio (Stlg)	£4.09	4.41		-
Mngd Portfolio (DM)	$10.29	10.86	-0.04	-
Currency Fd-Sterling	£19.67		+0.01	-
Currency Fd-US Dollar	$15.45		+0.01	-
Curr Fd-Deutschemark	DM40.86		+0.02	-
Curr Fd-Managed $	$45.88	48.17	-0.01	-

Federated International Funds Plc

Federated Short-term US Gov't Securities Fund	Bid Price	Offer Price	+ or -	Yield Gross
Institutional Svc Series*	$1.00		----	4.87
Investment Series*	$1.00		----	4.87

* Annualised Yield

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)F	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Lord Street, Douglas, IoM 0624 661551						
ADI Managed(2)	5	[illegible]	0.5848	0.6228	[illegible]	1.32
ADI Mgd Currency(2)	5	[illegible]	0.4015	0.4234	[illegible]	5.41
ADI W'wide Eq(2)	5	[illegible]	0.4632	0.4956	[illegible]	1.11
ADI Nth Amer Gthl(2)	5	[illegible]	0.7617	0.8112	[illegible]	0.01
ADI Far East (2)	5	$1.09	1.09	1.16	[illegible]	1.15
ADI Gilt & Income(2)	5	[illegible]	0.2546	0.2684	[illegible]	8.49
ADI UK Cap Gth (2)	5	[illegible]	0.2242	0.2387	[illegible]	5.39
ADI Europe Fd (2)	5	[illegible]	1.117	1.188	[illegible]	1.45

For conversion Prices of Shares Phone: 0624 662060

Asset Global Funds Ltd (1200)

Victory Hse, Prospect Hill, Douglas, IoM 0624 620097

[illegible]

TSB Trust Funds—Contd.	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Equity	5	139.73	139.73	151.75	-0.74	0.91
International Equity	5	112.39	112.39	119.58	-2.23	0.00
Far Eastern	5	86.74	86.74	92.94	-1.42	0.00
European	5	81.78	81.78	86.47	-0.86	0.00
Pan American	5	142.98	142.98	151.86	-4.18	0.00
TSB Gilt Fund Ltd						
Quarterly Share	3	97.95	97.95	101.22	+0.04	10.18
Monthly Share	3	96.73	96.73	99.94	+0.04	10.31

JERSEY (REGULATED)(**)

Barclays Intl Funds

Currency Funds	Bid Price	Offer Price	+ or -	Yield Gross
Sterling	£21.38		-0.01	9.5
US Dollar	$31.48		+0.01	5.9
Deutschemark	DM56.39		+0.01	7.2
Yen	Y4,054		+0.001	5.0
Managed Multicurrency	£13.09	13.56	-0.01	-
Managed Multicurrency	$25.26	26.16	.....	-
Bond Funds				
Sterling Bond	£0.406	0.422	+0.001	10.5
US Government Income	$98.47	101.95	-0.12	6.7
Asian Selection Funds				
Hong Kong	$13.247	13.944	-0.152	1.0
Indonesia	$7.511	7.906	+0.025	2.5
Korea	$10.282	10.823	+0.019	2.5
Malaysia	$9.832	10.350	+0.017	0.5
Philippines	$10.790	11.366	-0.149	2.5
Singapore	$11.548	12.156	+0.091	1.0
Thailand	$11.763	12.382	-0.057	2.5
South East Asia	$11.082	11.665	-0.072	3.0
US Dollar Liquidity	$9.556	10.034	.....	3.0

Cater Allen Investment Management (CI)

	Bid Price	Offer Price	+ or -	Yield Gross
CA Gilt Income	£6.47	6.76	.....	17.75
CA Gilt & Futures	£988	1.038	.....	7.71
CA Equity Gwth	£4.18	4.55	.....	3.30

Citibank (CI) Ltd "Citifunds"

Liquidity Funds	Bid Price	Offer Price	+ or -	Yield Gross
Deutschmark	DM30.030		+0.024	-
Yen	Y3003.282		+1.679	-

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar bows to a firmer Dow

THE markets were strangely quiet yesterday, holding fire before today's Bundesbank meeting.

The dollar continued to track the Dow Average, which was slightly firmer than in recent days.

In New York, the US currency fell as low as DM1.5985, although it had recovered to DM1.6025/30 by mid-day. Support seemed to be strong at the DM1.60 level in Europe, having been tested at least three times, dealers said. The dollar closed in London at DM1.6025.

Although the D-Mark continued to firm within the EMS, traders seemed to feel that the possibility of an immediate rise in German interest rates was fading fast.

Pressure from the D-Mark on EMS currencies would continue, however, as a rates rise was not being ruled out for the next Bundesbank meeting in December.

Dr Mark Austin, treasury economist with Hongkong Bank, said the German central bank could well face technical difficulties at that second meeting. "The Bundesbank will have to decide what to do with the one-month repo rates. If they do not do something, the one-month could well go higher than the Lombard and the bank might have to increase rates."

He added that the D-Mark would also continue to be a bid ahead of the Maastricht summit. Speculation about a realignment of the German currency during the meeting had been given some credence by the French move this week to raise intervention rates. "It is a signal that the rest of Europe cannot live with exchange rates and German rates where they are at the moment," said Dr Austin.

The public holiday in Germany meant trading was thinner than usual in the D-Mark – although there appeared to be some profit-taking, dealers said.

Sterling continued to languish at the bottom of the EMS grid. Worse-than-expected M4 bank and building society lending figures in the UK deepened pessimism about sterling. Most traders were now convinced that there had been little upturn in the UK economy, as previously claimed by politicians.

"There is no immediate pick up in sight for the pound," said Mr Michael Feeny of Sumitomo Bank.

Sterling dipped below DM2.87 during the day in London after opening at DM2.8750. By closing time, the pound was trading slightly higher at DM2.8775.

There was speculation that the Bank of Spain had been buying D-Marks for pesetas earlier in the week to support the pound within the EMS. Dealers and economists thought it likely that activity continued to have some effect.

The Bank of England's decision to leave a liquidity shortage in the market was also seen to have bolstered sterling somewhat. "The first line of defence on the pound is to squeeze the short money rate," said Dr Austin.

£ IN NEW YORK

Nov 20	Latest	Previous Close
£ Spot	1.7970 - 1.7980	1.7990 - 1.8000
1 month	0.87 - 0.85pm	0.92 - 0.90pm
3 months	2.49 - 2.47pm	2.46 - 2.43pm
12 months	8.70 - 8.60pm	8.82 - 8.72pm

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 20	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.289	-3.25	5.27	56
Belgian Franc	42.4032	42.0232	-0.90	2.77	43
D-Mark	2.05586	2.04038	-0.75	2.63	47
Dutch Guilder	2.31643	2.29902	-0.75	2.62	36
Irish Punt	0.767417	0.764108	-0.43	2.29	19
Italian Lira	1538.24	1541.30	0.20	1.65	-10
Danish Krone	7.84195	7.92414	1.05	0.80	-48
French Franc	6.89509	6.96823	1.06	0.78	-59
Sterling	0.696904	0.709821	1.85	0.00	-37

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

STERLING INDEX

CURRENCY MOVEMENTS

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

CURRENCY RATES

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

	£	$
S Af (Cm)	4.9585 - 5.0000	2.7820 - 2.7850
S Af (Fn)	5.3725 - 5.4545	2.9940 - 3.0395
Taiwan	46.85 - 47.05	26.10 - 26.20
U.A.E.	6.5635 - 6.6405	3.6715 - 3.6735

*Official rate. Floating rate £-2485.0 $-1395.0

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	Ecu
B Fr.	1.685	3.026	4.849	392.6	16.58	4.305	5.463	3439	100.	2.376	
Ecu	0.709	1.274	2.041	165.2	6.977	1.812	2.300	1542	1.448	42.09	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT * £50,000 32nds of 100%

	Close	High	Low	Prev.
Dec	95-02	95-12	94-28	95-10
Mar	95-07	95-16	95-03	95-15

Estimated volume 20643 (30792)
Previous day's open int. 50359 (50848)

US TREASURY BONDS 8% * $100,000 32nds of 100%

	Close	High	Low	Prev.
Dec	99-24	100-02	99-20	100-19
Mar	98-27	98-27	98-27	99-22

Estimated volume 1732 (1497)
Previous day's open int. 5388 (5774)

6% NOTIONAL GERMAN GOVT. BOND * DM250,000 100ths of 100%

	Close	High	Low	Prev.
Dec	86.18	86.21	86.10	86.24
Mar	86.65	86.66	86.57	86.69

Estimated volume 24778 (50378)
Previous day's open int. 91838 (85964)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low
Dec	99.65	99.70	99.65
Mar	99.83	99.91	99.82

Estimated volume 376 (227)
Traded exclusively on APT

9% NOTIONAL ECU BOND ECU 200,000 100ths of 100%

	Close	High	Low	Prev.
Dec	100.85			100.85
Mar				

Estimated volume 0 (0)
Previous day's open int. 270 (270)

12% NOTIONAL ITALIAN GOVT. BOND (BTP) *

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev.
Dec	99-23	100-03	99-19	100-05
Mar	98-27	99-06	98-23	99-08
Jun	97-28	98-06	97-25	98-09
Sep	96-30	96-30	96-26	97-11
Dec	-	-	-	96-14
Mar	95-08	95-08	95-08	95-21
Jun	94-15	94-15	94-15	94-29
Sep	-	-	-	94-07
Dec	-	-	-	93-18
Mar	-	-	-	92-30

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Dec	95.47	95.51	95.46	95.52
Mar	95.67	95.70	95.65	95.72
Jun	95.47	95.49	95.45	95.51
Sep	-	-	-	95.24
Dec	-	-	-	94.84

BRITISH POUND (IMM) $s per £

	Latest	High	Low	Prev.
Dec	1.7858	1.7882	1.7848	1.7960
Mar	1.7634	1.7646	1.7620	1.7676
Jun	-	-	1.7400	1.7460

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec	0.7015	0.7026	0.7011	0.7059
Mar	0.6965	0.6975	0.6961	0.6995
Jun	-	-	-	0.6950

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Latest	High	Low	Prev.
Dec	0.7696	0.7705	0.7696	0.7692
Mar	0.7679	0.7683	0.7678	0.7671
Jun	-	-	-	0.7659
Sep	-	-	-	0.7656

DEUTSCHE MARK (IMM) DM125,000 $ per DM

	Latest	High	Low	Prev.
Dec	0.6214	0.6224	0.6211	0.6257
Mar	0.6146	0.6154	0.6143	0.6190
Jun	0.6088	0.6090	0.6088	0.6129

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Dec	94.93	94.95	94.89	94.95
Mar	95.13	95.15	95.10	95.17
Jun	94.88	94.91	94.86	94.92
Sep	94.57	94.61	94.57	94.62
Dec	94.07	94.12	94.06	94.12
Mar	93.87	93.93	93.86	93.94
Jun	93.54	93.60	93.54	93.61
Sep	93.28	93.34	93.27	93.35

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev.
Dec	380.20	382.20	379.70	380.95
Mar	382.15	384.10	381.80	382.85
Jun	383.70	385.60	383.50	387.25

PHILADELPHIA SE £/$ OPTIONS

PARIS

ECU BOND (MATIF)

December	105.80	105.74	-0.14	105.88	105.74	9.08	3,469
March	105.92	105.78	-0.14	105.92	105.82	9.07	201

Estimated volume 2,397 Total Open Interest 3,670

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
105	-	2.19	-	-	0.33	0.47
106	-	-	-	0.08	0.62	-
107	0.16	0.89	-	0.39	0.99	-
108	0.02	0.51	-	-	1.60	-
Open Int.	91,375	104,108	4,803	83,683	55,126	9,676

Estimated volume 26,029 Total Open Interest 348,771

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Duncan Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit. Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5	● Members of British Merchant Banking & Securities Houses Association.	
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

MONEY MARKETS

UK rates 'stable'

UK MONEY market rates were unmoved by the weakness of sterling on the foreign exchange markets yesterday, where the UK currency fell below DM2.87 for the first time since joining the European exchange rate mechanism a year ago.

"The next move in interest rates, whether it is up or down, is some way ahead yet," commented one dealer.

The December short sterling contract on the London International Financial Futures Exchange traded up to 89.54 by late afternoon, from an early 89.51, implying year-end interest rates of 10.46 per cent. The Bank of England made an early forecast for a liquidity shortage of £600m, but this was later reduced to £550m.

Early assistance totalled just £9m, restricted to purchases of band 1 and band 2 bank bills. During the early afternoon a further £285m bank and treasury bills were bought. Late assistance of £75m brought the total liquidity injection for the day to £369m – leaving a £180m shortage on the day.

This pushed overnight money rates higher during late trading as the liquidity shortage began to tell. Unsecured interbank money traded at 9¾ - 10¼ per cent for most of the day but money was trading up to 13 per cent by late afternoon.

German markets were closed for a public holiday yesterday. However, today attention will be focused on the Bundesbank council meeting amid speculation that interest rates will be raised.

Earlier rises in official interest rates were presaged by the Bundesbank squeezing short rates higher until they matched the Lombard rate – meant to be its emergency funding rate for the financial system.

This led financial institutions to fund through Lombard borrowings and offered the Bundesbank a pretext to raise the Lombard rate, on the grounds that its emergency funding rate was no longer functioning as such.

However, this week there have been no signs of a liquidity squeeze. Tuesday's repurchase pact resulted in a net DM3.5bn injection of funds. Short money rates remained stubbornly at 9.00/9.05 per cent, comfortably below the 9.5 per cent Lombard rate.

In the US, Fed funds traded at around 4$\frac{11}{16}$ per cent, below the Federal Reserve's perceived target interest rate of 4¾ per cent.

UK clearing bank base lending rate
10.5 per cent
from September 4, 1991

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

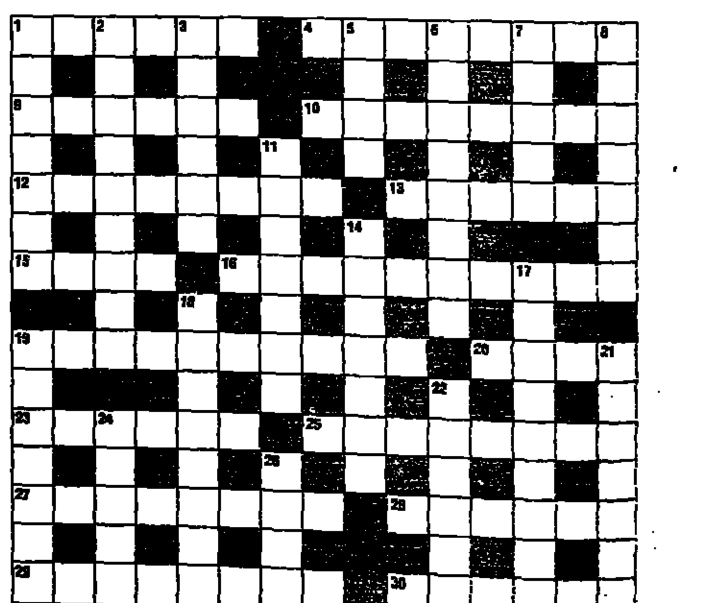
MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.7,704 Set by FETTLER



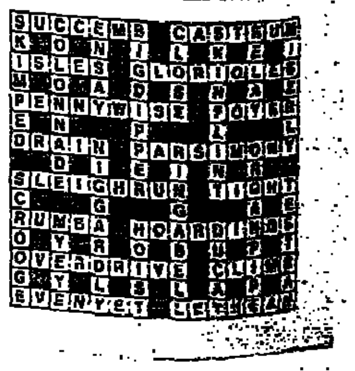
ACROSS

1 Bowled to attain the break (6)
4 Plot where hybrid cos ripen (8)
9 German songs relied on being intricate (6)
10 It's said again: "The country's in debt!" (8)
12 Make slaves of all the Navy? That's ridiculous! (8)
13 Worker's on edge in Ireland (6)
15 Good Lord's aged remarkably (4)
16 Oddly ironic, fan's producer of sounds too low to be heard (10)
19 Coppers embrace odd creed: that's the order of things (10)
20 Eye, as in "to gley" (4)
23 No longer ripe, creakily fade away (6)
25 Betook oneself to Dr Rees, being confused (8)
27 The ileum etc entwines (8)
28 Urge an eccentric to strip (6)
29 Sounded, in the event, somewhat offbeat (8)
30 The Fleet's having troubles about decks (6)

DOWN

1 Accept it – sound worker has quit (7)
2 Turn out plain tea you audibly consumed (9)
3 Thanks for the ovation (6)
5 Literally, nothing shut up (4)
6 A creed that's violently anti-mass (9)
7 Bury's in Lancashire's hinterland (5)
8 Mice end wandering, being confined to a specific area (7)
11 Taken in a drunken spree, port's a good mixer (7)
14 Banger that's good of its type (7)
17 Seen in bed, near the first flower (9)
18 Weapon, one seen in so-called pine apple (8)
19 Make as if to hang about! Rot! (7)
21 Tolerates objective practices (7)
22 Having made money, the company dine extravagantly (7)
24 Safe as a rock (5)
26 Song of joy (4)

Solution to Puzzle No.7,703



WORLD STOCK MARKETS

AUSTRIA

November 20	Sch	+ or –
Austrian Airlines	2,480	+20
Creditanstalt Pf	484	....
EA General	3,220	–10
EVN	830	+2
Jungbunzlauer	9,850	–50
OeMv	988	–1
Perlmooser Zement	1,380	+10
Radex Heraklith	513	+8
Reiningshaus Brau	1,780	–70
Steyr Daimler	287	+4
Veitscher Magnesit	370	+6
Verbund (Br) A	504	–2
Wienerberger	4,959	+3
Z-Laenderbank	1,000	+10

BELGIUM/LUXEMBOURG

November 20	Frs.	+ or –
ACEC-Union Min	2,150	–40
AG Group	1,665	–30
Arbed	3,830	+15
BBL	2,940	–30
Bank Intl a Lux	11,110	+160
Banq Gen Lux Pts	12,250	....
Barco	1,096	+14
Bekaert	9,250	–50
CBR Ciment	7,460	+30
Cobepa	4,890	+20
Cobepa AFV 1	4,840	–10
Cockerill Priv	159	....
Colruyt	4,080	+30
Delhaize Frs Lion	7,780	+50
Electrabel	4,670	+25
Electrabel AFV	4,600	+10
Electrafina ACT	2,640	–35

FRANCE (continued)

November 20	Frs.	+ or –
BNP Cert Inv	333	+18.90
Bancaire Cie	475	+2
Beghin-Say	601	–7
Beghin-Say Cert Inv	460	....
Bongrain	2,565	–20
Bouygues	538	–4
CGIP	930	–7
C M B Packaging	153.10	+0.60
Casal+	1,054	+15
Cap Gemini S	245	–9.40
Carrefour	2,080	+4
Casino	141.60	+0.30
Cetelem	635	–2
Chargeurs	924	–10
Club Mediterranee	414.50	–6.50
Cogifi	337	–5
Coparex	600	....
C C F	155.20	+0.80
Cr Fonc France	958	–32
Cred Lyon (CI)	523	+3
Credit Nationale	1,000	–2
Damart	2,298	+107
Docks de France	355.50	–0.60
Dollfus Mieg Cie	269.90	–7.10
EBF	740	+30
Eaux Cie Genl	2,226	–24
Ecco	355	–2
Elf-Aquitaine	409.80	+1.80
Elf-Aquitaine Certs	266	–4
Essilor Int	326.50	+1.40
Etex	1,771	+21
Eurafrance	1,345	+19
Eurocom	605	–15
Euro Disney	128.50	+2.50
Exor	1,110	–2
Finextel	122	–0.90
Fonc Lyonnaise	662	+22

INDICES

NEW YORK

DOW JONES	Nov 19	Nov 18	Nov 15	Nov 14	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
◊Industrials	2931.57	2972.72	2943.20	3063.51	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	97.53	97.73	97.71	97.84	97.92 (12/11)	91.30 (16/1)	97.92 (12/11/91)	54.99 (1/10/81)
Transport	1200.11	1224.59	1225.52	1282.51	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.63	217.14	215.95	220.02	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

◊Day's High 2960.20 (2990.61) Low 2883.72 (2923.30)

STANDARD AND POOR'S

	Nov 19	Nov 18	Nov 15	Nov 14	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	379.42	385.24	382.62	397.15	397.41 (13/11)	311.49 (9/1)	397.41 (13/11/91)	4.40 (1/6/32)
Industrials	447.66	454.27	450.59	468.03	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	30.55	31.20	31.10	32.53	32.54 (13/11)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	209.91	213.03	211.98	219.22	219.37 (13/11)	170.97 (9/1)	219.37 (13/11/91)	4.46 (25/4/42)
Amex Mkt. Value	374.25	379.47	380.91	391.69	392.37 (12/11)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	523.47	534.73	531.29	554.84	556.17 (13/11)	355.75 (14/1)	556.17 (13/11/91)	54.87 (31/10/72)

	Nov 15	Nov 8	Nov 1	year ago (approx.)
Dow Industrial Div. Yield	3.10	3.05	3.03	4.01

	Nov 13	Nov 6	Oct 30	year ago (approx.)
S & P Industrial div. yield	2.67	2.72	2.71	3.39
S & P Indl. P/E ratio	22.04	21.19	21.37	15.47

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Glaxo	6,649,600	29	- 1⅛
Amer T & T	5,606,400	35⅞	- 1⅛
Telefonos	3,083,300	42⅛	- 1⅜
Philip Morris	2,804,400	68⅛	- ⅝
Vitro Soc	2,794,500	24	—
RJR Nabisco	2,502,300	9⅞	- ¼
Fannie Mae	2,426,100	55⅛	- 1⅝
Home Depot	2,201,300	58⅛	- 1⅞
Pepsico	2,131,100	29⅛	- ⅝
IBM	2,123,300	96½	- ¼

TRADING ACTIVITY

† Volume Millions	Nov 19	Nov 18	Nov 15
New York SE	241.350	238.170	236.000
Amex	19.630	17.261	21.201
NASDAQ	219.627	(u)	255.475
NYSE			
Issues Traded	2,176	2,164	2,150
Rises	343	727	302
Falls	1,431	952	1,484
Unchanged	402	485	364
New Highs	20	21	77
New Lows	79	55	40

CANADA

TORONTO	Nov 19	Nov 18	Nov 15	Nov 14	1991 HIGH	1991 LOW
Metals & Minerals	2947.26	2982.22	2999.24	3028.17	3299.99 (18/7)	2632.06 (9/1)
Composite	3515.30	3550.76	3535.48	3575.84	3604.09 (12/11)	3161.95 (15/1)
MONTREAL Portfolio	1845.31	1865.08	1855.00	1877.49	1907.35 (12/11)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TAIWAN** Weighted Price (30/6/66)	4478.71	4480.94	4420.69	4511.36	6305.22 (9/5)	3316.26 (15/1)
THAILAND Bangkok SET (30/4/75)	677.01	678.62	653.46	671.45	908.13 (19/6)	582.48 (16/1)
WORLD M.S. Capital Intl.(1/1/70) (S)	509.6*	510.3	514.9	516.5	529.2 (17/4)	439.1 (16/1)

**Saturday November 16: Taiwan Weighted Price: 4442.46; Korea Comp Ex. 665.65.
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed, (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday, 20 November 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Meiji Milk Prods	18.7	1,220	+100	Nippon Steel	4.8	395	+19
Japan Syn Rbbr	11.4	700	+10	Nihon Nsn Kgyo	4.3	850	0
Toyo Ink	9.1	845	-35	Meiji Seika	4.2	1,160	+40
Okamoto	8.8	1,010	-10	Nippon Paint	3.8	913	+29
M'bishi Kakoki	6.2	908	+49	Hitachi	3.7	915	-6

3:15 pm prices November 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	3.8	17	491	13	12½	12½	-⅛
22⅞	14½	A L Labs A	0.16	0.7	23	225	21⅞	21¼	21½	+⅛
56¼	40⅞	AMP Inc	1.44	2.8	20	1044	52¼	51⅝	51⅝	-½
68⅝	44¼	AMR			11	3165	60	59¼	59⅝	+⅞
2⅝	1	ARX			1	60	1⅛	1⅛	1⅛	
56	41½	ASA x	3.00	6.2	14	511	48¼	48	48¼	-⅜
61⅜	39¼	Abbott Lab	1.00	1.7	25	3104	59	57½	58⅛	
14⅝	9⅞	Abitibi Pr	0.44	3.2	18	60	13½	13½	13½	
11⅝	10⅛	ACM Gvt In x	1.26	11.4		233	11	10⅞	11	
9¼	8¾	ACM GvOpp x	1.01	10.6		243	9⅝	9½	9½	-⅛
9½	8¼	ACM Gvt Sp	1.01	10.9		329	9¼	9¼	9¼	
11	9⅞	ACM Gvt Se	1.26	12.0		513	10⅝	10½	10½	
9	7⅝	ACM Man x	1.01	11.9		398	8⅝	8½	8½	
12⅞	11½	ACM Managd x	1.35	10.8		122	12¼	12⅛	12¼	+⅛
7½	4¼	Acme Cleve	0.40	6.6	16	77	6⅛	6	6⅛	
6	3⅛	Acme Elect			3	9	5	4⅞	4⅞	
40	22⅞	Acuson			22	682	34	33⅝	34	+⅜
20¼	14¼	Adams Exp x	5.08	27.3	0	62	18¾	18⅝	18⅝	+⅛
20⅛	17½	Adobe12Pf	2.40	12.7		2	18⅞	18⅞	18⅞	
9¼	6⅝	Adobe Res			10	60	7	6⅞	6⅞	-⅛
38⅛	18	Ad Micro				11	36⅝	36⅛	36⅛	+⅛
14¼	4⅝	Ad Micro P	3.00	23.8	63	6951	12¾	12½	12⅝	
5⅛	2¼	Advest Grp	0.16	3.8	6	62	4¼	4¼	4¼	-⅛
49⅛	31⅞	Aetna Lf	2.76	7.3	7	2960	38⅛	37¼	37¼	
10⅝	6⅝	Aflil A x	0.24	3.0	72	1671	8⅛	7⅞	8	
20⅞	12	Ahmanson	0.88	6.0	9	1270	15	14⅝	14⅝	-⅛
18⅜	2⅞	Aileen Inc			76	131	16⅞	16¼	16	+¼
74⅛	51⅞	Air Pr Chm	1.56	2.3	15	437	68	66¾	67½	+⅞
30	16⅝	Airbne Frt x	0.30	1.5	15	987	21¼	20½	20½	-⅜
22½	12½	Airgas Inc			96	45	21	20⅝	20¾	
15¼	10	Airlease	1.86	15.4	7	8	12	12	12	
100½	88¼	AlaPw8.16 x	8.16	8.2		6	100	100	99	-1
25⅛	21⅛	AlaPw PfA	2.00	8.0		11	u25⅛	25⅛	25⅛	
107	100	AlaPw9.44 x	9.44	8.9		2	106½	106½	106	-½
108	102⅞	Alab Pw 11				2	104	104	104	
104	98	Alab Pw 9P x	9.00	8.9		2	102	101	101	-2½
101½	88	Alab 8.28C x	8.28	8.3		3	101	101	100	-1
11	9⅛	AlaPwDpPf x	0.87	8.6		60	10½	10⅛	10⅛	-⅜
25⅛	17½	Alaska Air	0.20	1.0	44	150	20⅛	20	20	
20	10	Albany Int x	0.35	2.2	68	470	16½	16⅛	16¼	-¼
34¼	20½	AlCulvr B	0.22	0.8	25	54	27½	26½	27	
24⅞	16¾	AlCulvr A	0.22	1.0	18	79	21⅝	21¼	21⅝	+⅛
51⅝	32⅝	Albertsons	0.56	1.5	19	1218	38¾	36½	36½	+⅛
23¼	16½	Alcan Alum x	0.60	3.0	26	2157	20¼	20	20	-¼
35⅞	29	Alco Stand x	0.92	2.8	16	345	33¼	32¾	32¾	-½
29⅛	18⅞	Alexr Alex	1.00	5.1	17	464	19⅞	19¾	19¾	
37½	19¾	Alexanders			35	20	29¼	29¼	29⅞	
29⅛	21¼	Allegh Lud x	0.88	3.8	22	205	23¼	23	23⅛	+⅛
45	36	Allegh Pow	3.16	7.2	12	584	44	43¼	44	+⅜
24½	16⅝	Allen Gp	1.75	7.8		33	23¼	22⅝	22⅞	+⅜
22⅛	9¾	Allen Con	0.05	0.2	23	404	27	20⅞	20½	-⅛
25½	16¾	Allergan x	0.36	1.7	22	631	21½	20¾	20⅞	-⅜
33⅞	15¼	Allnce Cap	2.02	6.8	15	223	30	29⅜	29¾	+½
13⅛	9⅞	Allnce Gl				73	10⅞	10¾	10⅞	-⅛
22	17	Ald Irish x				3	18	18	18	
43	25⅞	Alld Sig x	1.00	2.5	19	3382	40½	39⅜	39⅜	-⅞
10⅛	8¾	AlstMunTr	0.69	6.9		249	10	9⅞	10	+⅛
10	8⅞	AlstIncOp x	0.84	9.0		384	9⅜	9¼	9⅜	+⅛
9⅞	8¼	AlstMninc	0.72	7.6		67	9⅝	9½	9⅝	
9¾	8⅝	AlstMninc x	0.65	6.8		25	9⅝	9½	9⅝	+⅛
43¼	31¾	Alltel Crp x	1.48	4.0	15	532	37	36¾	36¾	-⅛
73⅛	53¾	Alcoa	1.60	2.8	42	3588	58⅞	57⅞	58	+1
10⅞	9⅛	AmGovInc	0.96	9.4		134	u10⅜	10¼	10¼	-⅛
7½	6½	Am Precis	0.20	3.1		64	6⅝	d6½	6½	-⅛
27½	19	Amax	0.80	4.2	16	878	19⅛	19¼	19¼	
15¾	10⅛	Amax Gold	0.08	0.7	19	51	11	10¾	10⅞	-⅜
1¼	⅛	Ambase Cp			0	551	⅜	⅜	⅜	
16½	6	Amcast Ind x	0.48	2.8	16	573	u17	16½	17	+⅝
59⅛	42½	Amerada Hs	0.60	1.1	11	2718	53	51¾	52¼	+¾
⅜	1/16	Amdura Crp				0z100	⅛	⅛	0.18	+0.05
10⅞	10	Am Adj R	0.84	7.9		208	10¾	10½	10⅝	
26	18⅜	Am Barrick	0.10	0.4	40	1729	25	24½	24⅞	-⅞
32½	29¼	Am Br2.75	2.75	8.6		3	32	32	32	-¼
47⅝	35⅜	Am Brands	1.75	4.5	13	5231	39¼	38⅝	38⅞	-⅛
34⅝	24⅝	Am Bdld M	0.96	2.8	13	8	34	33⅞	34	
35⅞	18¼	Am Bus Prd	0.94	3.0	13	41	31¼	29¾	30⅞	+⅞
7⅝	5½	Am Cap Inc x	0.84	11.2		145	u7⅝	7½	7½	
20	16⅞	Am Cap Bd	1.68	8.8	34	58	19⅝	19⅜	19½	+⅛
19⅝	16¼	Am Cap CV	1.40	7.2	0	70	19⅜	18⅞	18⅞	+¼
69	48½	Am Cyanad x	1.50	2.6	15	2656	57⅛	56½	56⅝	+¾
31⅞	25⅝	Am El Powr	2.40	7.8	11	2326	30¾	30⅜	30⅝	-⅛
30⅜	18¼	Am Express	1.00	5.3	13	13016	19⅛	18⅝	18⅞	
29⅞	17⅞	Am Family x	0.40	1.5	15	1001	26⅞	26	26¼	-¼
43⅝	26	Am Genl Co	2.00	5.0	9	760	40¼	39⅝	39⅞	+⅛
8⅛	7¼	Am Govt In	0.77	9.5		140	8¼	8⅛	8⅛	-⅛
31⅜	22⅞	Am Hlth Pr	2.56	9.0	13	308	28⅞	28⅜	28⅜	-⅜
32¼	20	Am Heritge	1.08	3.7	12	9	29⅝	29⅜	29⅜	
77⅞	48½	Am Home Pr x	2.60	3.5	17	4543	73⅞	73¼	73⅜	+⅛
3½	2⅛	Am Hotels			4	2	2¾	d2⅛	2⅞	+⅛
1⅞	¾	Am Intrnl			24	131	1⅛	1	1	-⅛
102	72	Am Int Gr x	0.50	0.6	11	2247	84⅞	82⅞	82⅞	-1⅝
12	4½	Am Intl Pf	2.00	38.4		130	5½	5¼	5½	+⅛
10¼	9⅞	Am Opp Inc	1.02	9.5		177	u10¾	10⅝	10¾	+⅛
43⅞	15¾	Am Presdt x	0.60	1.6	11	278	38¼	36	36⅞	+⅞
11½	7¾	Am Real Es	2.00	18.8	9	14	10⅝	10½	10⅝	+⅛
3¼	⅛	Am Sav Bk				109	⅜	⅜	⅜	
2⅛	⅛	Am Sv Bk	0.20	53.3	0	17	⅜	⅜	⅜	-1/16
4⅜	1¼	Am Ship Bd			2	35	2¼	2¼	2¼	+⅛
46¼	27	Am Stores	0.70	2.4	10	5062	29⅞	29¼	29¾	
40⅛	29⅛	AT&T	1.32	3.6	56	2744	36⅝	35⅞	36⅜	+⅝
17	13½	Am Wat 5% x	1.25	7.6		10	16⅜	16¾	16½	+½
25½	15½	Am Watr	0.86	3.7	9	307	23⅝	23⅛	23¼	-⅛
64⅞	55¾	Amerntech	3.40	5.7	12	2468	60⅜	59⅞	60	-⅛
47⅛	31⅞	Ameron Inc	1.28	3.6	17	14	35½	35	35	-⅜
3	½	Ames Dt St			0	212	1⅛	1	1	
13⅜	8½	Ametek Inc	0.68	5.4	16	206	12⅞	12¼	12⅜	+⅛
11¾	9⅛	Amev Sec x	1.08	9.4	1	63	11½	11⅜	11½	
55	47	Amoco x	2.20	4.4	15	3840	50	49½	49⅝	+⅛
9¼	5⅞	AmpcoPitz	0.30	4.0	5	15	7⅝	7½	7½	+⅛
10⅜	2⅞	Amre Inc	0.12	1.3	10	53	9⅛	8¾	9	+⅛
33¼	18½	Amsouth	1.44	4.6	9	162	31⅞	31½	31⅝	-⅜
4⅝	1⅝	Anacomp			25	4486	3½	3	3⅛	+⅛
33⅛	22⅝	Anadarko x	0.30	1.1	36	1574	28¼	27½	27⅝	-¼
12½	6½	Analog Dev			26	932	7⅝	7½	7½	-⅛
40¼	29⅝	Angelica	0.88	2.6	14	168	34	33¾	34	
56¼	39⅜	AnhsrBsch	1.12	2.1	16	4218	53¼	52⅝	52¾	-⅛
27¼	25	ANR PpePf x	2.68	10.2		3	26	26	26¼	+¼
36½	15¾	Anthem			17	46	33⅜	33¼	33⅜	+⅛
11½	6⅛	Anthony In x	0.44	4.1	48	120	10¼	10½	10⅝	-¼
41¾	29¾	Aon Corp	1.60	4.4	9	415	36¾	36⅛	36⅜	-⅜
20¾	12	Apache Crp	0.28	1.6	25	1031	18⅛	17⅝	17¾	+⅛
12	11⅛	Apex Mun F x	0.92	8.0		84	11⅝	11½	11½	-⅛
96½	86½	AppalPwPf	8.12	8.5		z100	95½	95½	95¾	+⅛
13	5⅝	Appld Mag			5	110	6	d5⅝	5⅝	-⅛
29½	18½	ArcherDan	0.10	0.4	17	4506	27½	27¼	27¼	-⅛
44¼	33¼	Arco Chemi	2.50	6.8	18	99	37¼	36⅞	36⅞	-⅛
9⅝	4½	Arc Alask			9	132	8⅜	8⅛	8⅜	+⅛
20¼	15¼	Arida x	1.08	7.2	44	7480	15¾	d14⅞	15	-⅝
40⅝	36¼	Arida Pf x	3.00	8.3		68	36⅞	d36¼	36¼	-⅜
15⅞	9¼	Arida Expl x	0.20	1.4	69	451	14⅝	14	14	-⅜
36½	29	Armco 4.5P x	4.50	12.9		18	34¾	34¼	34¾	+⅝
6¼	4	Armco Inc			3	183	4¾	4⅝	4⅝	-⅛
20½	15¼	Armco 2.1P x	2.10	10.6		10	20	20	19¾	-¼
34½	22⅞	Armstrong	1.20	4.0	28	323	28⅞	28¼	28¾	+⅛
26⅝	12¼	Arrw El Pf	1.94	8.1		141	24	23⅞	23⅞	
16⅜	3⅝	Arrow Elec			93	381	14¼	13⅞	14	-⅛
13⅛	5¾	Artra Grp			5	50	8	7⅝	7⅞	+⅛
26⅝	16¼	Arvin Ind x	0.68	3.2	23	85	21⅜	21	21	-½
30½	23¼	Asarco Inc x	1.60	6.8	25	687	23½	d23¼	23⅜	+⅛
34⅛	17½	Ashld Coal x	0.40	1.2	16	186	33¼	32¾	32¾	-⅜
35⅛	26⅛	Ashland Oil x	1.00	3.4	11	1041	29¼	28⅞	29	+⅛
15⅛	10⅞	Asia Pac F				120	13	12¾	12¾	-⅛
16⅝	8	Asset Invr	2.40	15.2	7	168	15¾	15⅝	15¾	
29¼	16½	Ass Nt Gas	0.12	0.4	27	9	27½	27½	27½	
14⅜	8⅞	Athlone	1.00	9.4	7	68	11⅛	10⅝	10⅝	-½
320½	270	Atl Rich 2 x	2.80	1.0		z100	282	282	282	
37⅝	29¾	Atlnta Gas x	2.04	5.7	17	210	36	35¾	35¾	-⅛
6	2⅛	Atlnta Sos			11	17	5⅝	5⅜	5⅝	
40	32	Atlntc Egy	3.00	7.6	12	241	39⅞	39⅝	39⅝	-⅛
135¾	110	Atl Rich x	5.50	4.9	18	3546	112¼	111	111¼	-⅝
8⅜	5⅜	Atlas			20	22	6¼	6¼	6¼	
21⅞	15¾	Atmos Engy x	1.24	5.9	16	24	20⅞	20⅝	20⅞	+⅛
23¾	9½	Atwds ADR x	0.48	4.4	9	179	10⅞	10⅝	10⅞	
9	3¼	Audio/Vid			17	18	7½	7⅜	7⅜	-⅛
14⅛	9⅛	Augat	0.40	3.8	13	39	10¾	10⅝	10⅝	-⅛
12⅜	7⅞	Austria Fd				183	9	8¾	9	+⅛
38⅜	25	Autom Data x	0.40	1.1	23	1238	37⅝	37¼	37½	+½
6¼	3¼	Avalon Egy			9	6	4	4	4	
27¼	16	Avemco x	0.40	1.8	16	27	22⅜	22⅜	22½	
30	23¼	Avnet Inc	0.60	2.4	16	390	24⅞	24⅝	24⅜	
49	26⅛	Avon Prods x	1.40	3.7	12	2613	38	37⅝	37¼	-⅞
28	12⅞	Aydin Corp			11	137	23⅝	23¼	23½	+¼

\- B -

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
42⅜	33⅜	BCE	2.24	5.4	11	80	41⅞	41⅝	41⅝	-¼
16¼	7¾	BET ADR	1.05	7.0	11	5	15⅛	15⅛	15	
9	3¼	Balmco	0.20	3.2	74	29	6⅜	6¼	6¼	
18¼	14⅛	Baker Fent	0.50	2.9		110	17¼	17⅛	17¼	-⅛
31	20	Baker Hugh	0.46	2.2	16	5907	20¾	20¼	20⅜	-⅛
25	15⅝	Baldor Elc x	0.48	2.2	16	51	21¾	21½	21⅝	-⅛
37⅜	25⅜	Ball Corp x	1.20	3.6	15	1210	33⅞	32½	33⅝	+1¼

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16¾	6⅝	Saleg'd Sc			5	79	14	13⅞	14	-⅛
37	25	SafetyKln x	0.32	1.1	27	651	28⅜	27⅝	28¼	
21⅝	11⅞	Safeway			13	562	17⅞	17½	17½	-⅜
4⅞	2⅜	SafewayW95				109	3⅞	3¾	3⅞	-⅛
35⅞	26⅞	StJoePaper	0.20	0.6	42	40	32	31⅞	31⅞	
34⅛	25⅝	StJoeL&P	1.66	5.2	12	29	31⅞	31⅝	31⅝	
74¼	57	St Paul's x	2.60	3.9	7	478	66⅜	65¼	66	-⅛
4¼	1½	Salant Crp				0z100	2⅜	2⅜	2⅜	
69¾	43⅝	Sallie Mae	0.80	1.4	16	2833	58	56	57½	+1⅜
14¼	10⅞	Salomon Br s	4.04	31.4		664	13	12¾	12⅞	-⅞
37	20¾	Salomoninc	0.64	2.2	7	8110	28½	28⅜	28½	+⅜
45¾	37⅛	SanDgo G&E	2.80	6.4	12	141	43⅝	43⅜	43½	+⅛
4⅞	2⅞	SantaFeEDu	0.50	16.0	24	16	3⅛	3⅛	3⅛	
16⅝	10⅞	SantaFeERs	0.16	1.4	25	785	11¼	11	11⅛	
35¼	25	SantaFePac	2.70	8.0	10	890	34	33½	33½	-½
12¼	5⅛	SantaFeSth x			17	91887	11⅛	10¾	10¾	-⅛
50	29⅝	Sara Lee x	1.00	2.1	16	2100	48¼	46⅞	47⅝	-⅛
¼	⅛	Savin Corp			0	694	⅛	d⅛	⅛	
7⅞	1⅞	Savin 0.80	0.80	35.6		26	2¼	2¼	2¼	-¼
41½	33½	Scana Corp x	2.62	6.4	12	169	40¾	40⅜	40⅝	-⅛
46⅞	36	Scecorp	2.72	6.2	11	1803	44½	43¾	43⅞	-⅛
65⅝	40⅞	ScheringPl	1.32	2.2	20	4787	60⅞	60¼	60⅜	
74	60½	Schl'berger x	1.20	1.9	23	2860	65⅛	63⅞	63¼	-1
36¼	11⅞	Schwab(C)	0.24	0.7	25	256	34	33¼	33⅞	
6⅞	3⅞	Schwitzer			11	247	6⅛	6	6	+⅛
17⅞	11½	SclentAtla x	0.16	1.1	46	202	15⅛	14⅞	14⅞	
9⅝	6	Scotman	0.10	1.3	12	247	7⅞	7⅞	7⅞	-⅛
46⅝	33½	ScottPaper x	0.80	2.4	68	1338	34½	d33½	33½	-⅜
17⅛	11⅝	ScuddrNAsF	0.58	3.8		25	15¼	15¼	15¼	+⅛
10⅞	7⅞	ScuddrNEsF	0.25	2.9		65	8⅝	8⅝	8⅝	-⅛

1991 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
27⅞	21¾	Yankee Egy	1.60	6.0	12	32	27	26⅞	26⅞	-⅛
1½	⅛	Zapata			1	1329	⅛	d½	⅛	
9⅝	5¼	ZenithElec			2	259	6⅝	6⅝	6⅝	+⅛
18½	12	Zenith Nat	1.00	6.6	22	11	15¼	15⅛	15¼	
6⅝	4½	Zenix Inc x	0.84	13.7		271	6¼	6⅛	6⅛	-⅛
15¼	10⅞	Zero Corp	0.40	3.5	16	276	11⅝	11½	11½	-¼
41⅞	29½	Zurn Ind x	0.88	2.6	14	118	34⅜	33⅞	34¼	+¼
13½	10¼	Zweig Fund	1.16	9.2		242	12⅝	12½	12⅝	
10½	8½	Zweig Total	0.96	9.4		388	10¼	10⅛	10¼	+⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

NASDAQ NATIONAL MARKET

3:00 pm prices November 20

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		27	1378	25	24	24¼	-¼
XL Data		32	834	11	10⅞	10⅞	
Xoma Corp		44	2606	18⅞	18	18½	+½
Yellow Fr	0.94	88	2474	26⅞	26⅛	26½	
York Rsch		68	425	8⅞	7¾	8	
ZionsUtah	1.44	9	39	45⅛	44⅛	44½	-⅛

AMEX COMPOSITE PRICES

3:00 pm prices November 20

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
OEA Corp	0.14	9	13	8½	8⅜	8⅜	-⅛
Pall Corp	0.44	25	619	36⅝	35¾	35⅞	
Pegasus G		7	476	12⅛	12	12	
Pertrol		6	15	10¼	10	10¼	+¼
Pet HM&P	0.31	7	25	10⅞	10⅝	10⅞	
Phil LD	0.17	11	353	27	26⅝	27	+⅛
Pitney A	0.70	12	120	28¼	27¼	28¼	+⅜
Ply Gem x	0.12	114	25	8⅛	8	8	-⅛
PMC	0.58	14	z100	8⅝	8⅝	8⅝	+⅛
PresidioA	0.10	3	49	4	3⅞	4	

FINANCIAL TIMES
Thursday November 21 1991

AMERICA

Dow turns tail after early rise on a little good news

Wall Street

AN AIR of normality returned to US stock markets yesterday, with share prices easing slightly in spite of a good housing report and a strong performance from Merck, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 4.69 at 2,926.88, well below its high for the morning when the index had been over 20 points higher. The more broadly based Standard & Poor's 500 was also easier at midsession, down 1.55 at 377.87 at 1 pm, while the Nasdaq composite of over-the-counter stocks gained 1.50 at 524.97. After three days of exceptionally heavy turnover, trading volume returned to more normal levels, and by 1 pm, 119m shares had changed hands on the NYSE.

After Tuesday's declines, the market opened firmer on news of a 7.3 per cent rise in October housing starts. Within an hour and a half the Dow had risen past 2,950, before investors realised that one set of better-than-expected economic data meant little when compared with months of poor statistics. Prices soon turned tail, and by early afternoon had dipped into negative territory.

Early in the session strength in Merck, the country's biggest drug group, had helped boost the Dow. After a delayed opening due to order imbalances, Merck rose $5¾ to $144¾ in turnover of 1m shares on reports that tests have showed that the company's Lovastatin drug for treating high cholesterol can shrink fatty deposits in coronary arteries. Analysts have already outlined the positive implications for Merck if the drug proves as effective as hoped.

Bristol-Myers Squibb, which has its own cholesterol-lowering drug, Pravachol, which was recently approved by the Food and Drug Administration, was also buoyed up by the testing reports, rising $1¼ to $82¼ in 1.1m shares.

Colgate-Palomolive was the market's most actively traded stock yesterday, rising $¼ to $40½ in turnover of 2.3m after the company's issue of 10m new common shares was priced at $40 a share.

CSX resumed trading after Tuesday's suspension on news of a serious rail crash in Kentucky involving one of the company's freight trains. On its return in mid-morning the stock climbed $1½ to $51½, boosted by comments from CSX officials that the cost of cleaning up the accident would not materially affect the company's financial results.

Hershey Foods slipped $2¼ to $38 *after Goldman Sachs,* the broking house, removed the pasta and sweets manufacturer from its list of recommended stocks and cut its earnings estimates for next year, saying that the company will increase marketing expenditure to halt a slide in its market share.

Autodesk slumped $5¾ to $33⅛ in the wake of disappointing third quarter earnings of 65 cents a share, which were above year-ago results but below market estimates. Genelabs Technologies jumped $1¼ to $10¾ after the company received a patent for its diagnostic reagents, which are designed for use in detecting a human retrovirus.

Canada

TORONTO stocks were mixed at midday. A drop in the Canadian dollar raised fears that the trend towards lower interest rates might be put on hold. The TSE composite index eased 7.3 to 3,508.0. Advances led declines by 188 to 178 on volume of 14.8m shares.

Among active issues, Sherritt Gordon rose C$⅛ to C$7¾, American Barrick fell C$1 to C$28¼ and Horsham eased C$¾ to C$10¼.

Brussels takes election hurdle in its stride

Excitement has returned to the bourse, but it is not about politics, writes **Andrew Hill**

THERE is a general election in Belgium on Sunday. To outsiders it looks as though the Brussels bourse is bearing the political upheaval with remarkable equanimity.

"To be perfectly frank," says Mr Jeffrey Taylor at Dillon Read in London, "I would say that the stock market was completely and utterly ignoring the election campaign. If you landed from Mars tomorrow you wouldn't know from looking at the stock market that there was an election going on."

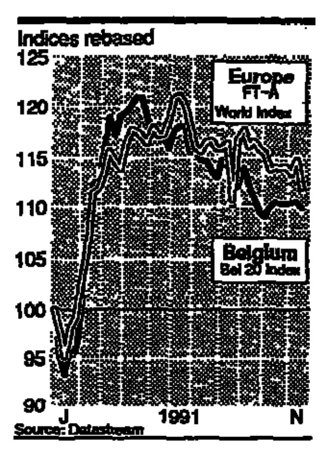
Since September, when the Bel20 weighted index of Belgium's largest stocks stood at 1,089, the market has risen only marginally, to close at 1,098.59 yesterday.

There are several reasons for the market's apparent nonchalance. Although last month's acrimonious collapse of the centre-left coalition looked spectacular, the aftermath has been calmer. The Brussels exchange has also been stuck in the doldrums since the active first quarter of 1991 when the Bel20 peaked at more than 1,200.

At least in volume terms, the market now appears to be picking up again. According to County NatWest, October's turnover of BFr37.16bn was 21 per cent up on September's equivalent – the strongest recovery of any European bourse over the month and the best four-week trading period since June.

The mini-boom is not over. Figures from Petercam, the Brussels broker, show that in the first nine trading days of November daily turnover broke the BFr1bn mark four times; in the three previous months, daily volume had crossed that threshold on only six instances and had occasionally slipped below BFr500m.

Interest in the Belgian market was certainly excited by the full-scale bid for Wagons-Lits, the Franco-Belgian travel company, launched a month ago by the French hotels group Accor, in collaboration with Société Générale de Belgique.



The excitement has been sustained in the last fortnight by a shoal of court cases from minority shareholders, who want the bidders to reveal more information, and claim that the bid price should be increased. Success in the courts would doubtless encourage other investors into a market which is still dominated by large players, in spite of recent reforms to encourage more transparency.

At the same time, the Belgian economy seems to be stabilising and the caretaker government managed to push through legislation before the parliament's dissolution, removing the burden of a capital gains tax from institutional investors such as insurance companies.

A further increase in German interest rates could hurt the market but, according to analysts, the possibility is already in share prices. "What you have got in the meantime," says one, "is partly a reaction to the fact that Belgium has been lagging behind [Europe] for most of the year; it was due for a bit of a technical rise."

The question, as always with the Belgian market, is whether such a rally can be sustained, given that the cyclical companies which dominate the Brussels bourse have not yet emerged from the downturn.

As for the election itself, public discontent with the squabbling between francophone and Flemish government ministers has been reflected in opinion polls which show a drop in support for the parties of the old coalition.

Brokers believe, however, that the result will have little effect on the performance of the market, even if Mr Wilfried Martens, the long-serving prime minister, is not asked to lead a new coalition.

The limbo of the election campaign will be followed by negotiations to form a new government, which can take more than 100 days. Recent academic research indicates that the Brussels bourse tends to rise sharply after an election, whatever the outcome. Unsurprisingly, a swing to the right is greeted more warmly than a swing to the left, but the stock market always welcomes stability, whoever is in charge.

EUROPE

Nordic bourses back in the picture

WITH Germany closed for a holiday, and France out of step with itself, Scandinavian bourses came back into the reckoning yesterday, *writes Our Markets Staff.*

OSLO saw a further slide in banks but this was more than offset by strong performances from the industrial and shipping sectors. The all-share index rose 7.26 to 414.16, recovering some of its weakness since last Friday.

The bourse gave Norwegian banks a verbal lashing yesterday, saying that the biggest of them, Den norske Bank (DnB) misled investors about the adequacy of its capital base last month; it also criticised and fined Christiania Bank, the second largest, for not giving true information on its loan losses in the first quarter of this year.

DnB shares plunged 35 per cent, or NKr3 to NKr5.70 against a high this year of NKr148. The industry index, incorporating quality stocks in oils, chemicals and metals, rose 10.96 to 651.06 with Norsk Hydro NKr2 higher at NKr148. Mr David Longmuir of James Capel observed that the Norwegian economy is going to be one of the fastest growing in Europe next year.

The shipping index was up 18.56 to 530.95 with Bergesen rising NKr4 to NKr151.

COPENHAGEN, in a quiet way, reversed the Oslo pattern. The CSE index was 1.85 lower at 362.06 but Den Danske Bank, helped by a Moody's report that Danish banks are more creditworthy than others in the Nordic region, gained DKr2 to DKr303 in active turnover of 109,000 shares.

STOCKHOLM closed flat, the Affärsvärlden General index easing 0.5 to 951.3. Volvo fell another SKr5 to SKr335 on nine-month trading losses which were worse than some fairly pessimistic expectations, but it recovered to about SKr338.50 in London later.

Also after hours, the Swedish parliament voted to abolish a 1 per cent turnover tax on share trading which has been blamed for declining local activity on the bourse, and the trading initiative moving to the London market.

FT-SE Eurotrack 100 - Nov 20

Hourly changes †							
Open	10 pm	11 am	Noon	1 pm	2 pm	3 pm	Close
1076.40	1076.16	1076.24	1075.80	1075.43	1076.52	1076.47	1076.00

Day's High 1077.89 — Day's Low 1074.91

Nov 19	Nov 18	Nov 15	Nov 14	Nov 13
1075.11	1084.16	1109.27	1109.78	1104.90

Base value 1000 (26/10/90) † Partial

HELSINKI continued, belatedly this week, to face the facts about the sick Finnish economy, and the Hex index fell another 6.9 to 846.3.

AMSTERDAM had a quieter day, as KLM was unchanged at Fl 39.40 after Tuesday's speculative rally. The CBS Tendency rose 0.3 to 90.3 in turnover of Fl 503m.

The financial sector closed mixed to higher, with Internationale Nederlanden advancing 50 cents to Fl 47.20 while Aegon, due to release its third quarter results on Friday, declined 30 cents to Fl 117.60.

PARIS made a promising start, the CAC 40 index rising as high as 1,782.70 in a futures-related rally. But there was a lack of follow-through buying and the index closed 1.60 lower at 1763.49 in heavy turnover of FFr3.4bn after FFr2.9bn.

Dealers said there was some evidence of domestic selling but on the other hand, there was some bargain-hunting. Elf rose FFr1.80 to FFr409.80 and Eurodisney gained FFr2.50 to FFr128.50.

MILAN made a belated reaction to the recent falls on Wall Street. The Comit index fell 1.92 to 512.53 in volume estimated at around Tuesday's L74bn, as the ban on short-selling restricted activity.

The Ferruzzi group continued to rise though at a more moderate pace, with Montedison adding L8 to L1,297 before easing to L1,293 after hours.

Blue chips moved lower with Fiat falling L36 to L4,839 Mediobanca slipping L45 to L13,215.

After the close, the stock market watchdog Consob confirmed that screen-based trading in five stocks will begin on November 25. The issues are the ordinary shares of Ferruzzi Finanziaria, BCI, CIR and RAS as well as the preference shares of Fiat.

Also after the close, the state-controlled insurer Assitalia said it was postponing its capital increase of between L150bn and L200bn until the market climate improved. The shares had closed down L100 at L7,490.

MADRID had a volatile day, exemplified by the chemicals sector where Repsol rose Pta75 to Pta2,590 but Ercros fell Pta58, or 12 per cent to Pta392 after reporting a doubling in its nine-month losses. The general index came out ahead, rising 1.36 to 246.98.

SOUTH AFRICA

JOHANNESBURG came off earlier lows, encouraged by the UK's steady showing. The overall index fell 10 to 3,447. The industrial index eased 23 to 4,172 but the all-gold index gained 27 at 1,140, reflecting steady world bullion prices.

Tax reform hopes lift Turkey

By John Murray Brown in *Ankara*

TURKISH equities reacted strongly to the formation of a new coalition government yesterday, and continued to rise on promises of tax reform and lower interest rates.

The Istanbul stock exchange index ended 134 points or 4 per cent up at 3,445. Brokers expect an early introduction of a new tax on government bonds, which account for 80 per cent of assets held by banks and institutions, one reason for the shallowness of the Turkish stock market.

The market has climbed more than 30 per cent in the past 10 days, following last month's election when no single party won an outright majority. There was, however, some bad news for the stock market yesterday. The weekly treasury bill auction saw a dramatic increase in sales to TL2,500bn from TL114bn the week before, indicating a rise in government *spending.*

ASIA PACIFIC

Nikkei continues to fall on arbitrage-unwinding

Tokyo

PRICE movements were dominated by index-related trading yesterday, and the Nikkei average closed lower for the sixth consecutive day on unwinding of arbitrage positions, *writes Emiko Terazono in Tokyo.*

The 225-issue Nikkei index lost 127.00 at 23,199.86 after a day's low of 23,018.31 and a high of 23,334.87. The index initially lost ground on arbitrage-unwinding prompted by a sluggish bond market. The Nikkei regained strength in the afternoon on arbitrage-related buying, but slipped again as arbitrageurs and investment trusts remained sellers.

Volume rose to 300m shares from 280m. Traders noted heavy cross-trading – the selling and buying back of shares in order to realise profits – in bank stocks in the morning.

Declines finally led rises by 742 to 248, with 158 issues unchanged. The Topix index of all first section stocks shed 10.81 to 1,762.79 but, in London, the ISE/Nikkei 50 index improved 4.92 to 1,321.11.

Buy orders around the Nikkei 23,000 level supported the market. A trader at Dai-Ichi Mutual Life Insurance said they were hunting for bargains in blue chips. He added that Hitachi, the electronics company, was now seen by institutional investors as a benchmark for leading blue chip companies. The issue ended Y5 off at a 1991 low of Y915.

Other high-technology issues were also weak. TDK receded Y90 to Y4,730 on a projection of a 10 per cent decline in pre-tax profits for the current year. Sony fell Y90, moving to its low for the year of Y4,710.

Individual investors and dealers focused on short-term trading of bio-technology related shares as reports that Yakult Honsha, a beverage company, had developed a drug for lung cancer triggered activity. Meiji Milk Products, the most active issue of the day, surged Y100 to Y1,220.

Nippon Steel climbed Y19 to Y395 in active trading, investors being encouraged by reports that some institutions would increase their holdings in leading steel issues.

Construction shares were weak on poor profits projections for the year to March. Hazama Corp retreated Y12 to Y806 on a forecast of a 27 per cent fall in pre-tax profits for the current year. Obayashi relinquished Y25 to Y873 and Kumagai Gumi Y12 to Y760.

Nippon Telegraph and Telephone fell Y8,000 to Y773,000. The Tokyo Stock Exchange recently expressed a negative view on the release of NTT shares held by the government due to the current slack demand. NTT was previously popular on speculation that the government would release its holdings next year, and that the ban on foreign ownership would be lifted.

In Osaka, the OSE average dipped 148.65 to 25,196.85 on volume of 48.1m shares. Light selling depressed high-technology stocks and public works-related issues.

Roundup

WALL STREET influenced most of the more active markets in the region yesterday.

HONG KONG followed the US down in moderate trading, the Hang Seng Index falling 60.29 to 4200.94, erasing virtually all of Tuesday's 63-point rebound, in turnover down from HK$2.01bn to HK$1.56bn.

Banks suffered the heaviest setback, followed by utilities. Property, commercial and industrial stocks also showed sharp, although less marked, declines.

AUSTRALIA also took its cue from overseas markets, the All Ordinaries Index losing 24.3 or 1.5 per cent to 1,632.5, with only the golds sub-sector showing a modest rise on the day. Turnover increased slightly from A$256m to A$265m.

ANZ Banking reported a 21 per cent rise in net profits, better than expected, and moved up 2 cents to A$4.18. Westpac Banking and National Australia Bank, both announcing results today, slipped 11 cents to A$4.77 and 10 cents to A$7.85 respectively.

NEW ZEALAND fell 1.8 per cent, the NZSE-40 Index finishing 26.11 lower at 1,469.46, after a fall of 2.7 per cent on Monday and Tuesday's 0.7 per cent recovery. Turnover was heavy, rising from NZ$22.5m to NZ$25.6m, blue chips leading both the level of declines and the active stocks list.

SEOUL finally produced a technical response to its recent run of falls, the composite index rallying 12.12 to 668.13 after eight consecutive declining sessions, and turnover improving from Won157.6bn to Won191.3bn.

Financial shares advanced 3 per cent on average, with securities houses up 4.6 per cent following a recent tumble on analysts' reports that some of them are likely to lose first section status on the stock market.

Key indices in SINGAPORE and KUALA LUMPUR fell towards expected support levels but, as Japanese stocks found a few friends, bargain hunting emerged to leave share prices little changed on the day. The Straits Times Industrial Index picked up 3.20 to 1,443.15 and the KLSE composite by 0.08 to 535.72.

MANILA's composite index closed 7.82 down at 1,094.49, with oil shares registering the day's biggest declines. TAIWAN saw its weighted index ease 2.23 to 4,478.71, after a surge of 60.25 the previous day.

KARACHI slipped back following its record-breaking upsurge, the KSE index closing 73 lower at 2,769.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY NOVEMBER 19 1991								MONDAY NOVEMBER 18 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	157.35	+0.9	129.86	129.10	131.10	132.50	+0.5	4.57	155.91	129.10	127.53	130.26	131.78	160.31	112.74	125.67
Austria (20)	173.87	+1.1	143.49	142.66	144.86	144.73	+0.9	1.98	171.97	142.39	140.66	143.67	143.48	222.37	153.86	199.48
Belgium (47)	137.05	+0.6	113.10	112.44	114.18	111.70	+0.5	5.30	136.16	112.75	111.37	113.76	111.15	151.20	118.04	139.89
Canada (115)	140.92	−1.0	116.30	115.62	117.40	115.16	−0.9	3.23	142.28	117.81	116.37	118.86	116.21	144.28	126.49	124.85
Denmark (37)	263.03	−0.1	217.07	215.82	219.14	222.70	−0.5	1.59	263.40	218.10	215.45	220.06	223.72	270.56	217.74	253.48
Finland (15)	83.65	−0.7	69.04	68.64	69.70	76.50	+0.0	3.18	84.21	69.73	68.89	70.36	76.53	125.15	82.91	104.92
France (109)	142.67	−1.7	117.74	117.05	118.86	122.48	−2.0	3.62	145.12	120.16	118.70	121.23	125.03	152.26	119.11	140.83
Germany (65)	114.07	+0.3	94.13	93.60	95.03	95.03	+0.0	2.43	113.75	94.19	93.05	95.03	95.03	125.36	94.15	119.10
Hong Kong (55)	176.14	+1.7	145.36	144.52	146.76	175.35	+1.7	4.23	173.17	143.39	141.65	144.69	172.38	176.14	119.62	123.68
Ireland (19)	162.78	+0.6	134.34	133.56	135.62	137.35	+0.0	3.66	161.89	134.05	132.42	135.26	137.34	182.46	132.88	155.20
Italy (77)	72.24	+1.2	59.62	59.27	60.18	65.25	+0.8	3.55	71.39	59.11	58.39	59.64	64.75	88.23	64.76	79.62
Japan (474)	134.61	−0.2	111.09	110.45	112.16	110.45	+0.1	0.77	134.87	111.67	110.32	112.69	110.32	146.97	118.23	126.76
Malaysia (68)	204.96	+1.1	169.15	168.16	170.76	215.94	+1.2	2.88	202.65	167.80	165.75	169.30	213.30	247.78	189.18	196.51
Mexico (17)	1352.81	−2.3	1116.43	1109.96	1127.08	4527.50	−2.3	1.13	1385.34	1147.10	1133.15	1157.42	4636.36	1404.63	534.45	556.71
Netherland (31)	146.42	−0.7	120.84	120.14	121.99	120.59	−1.0	4.47	147.40	122.05	120.56	123.15	121.83	148.24	125.70	135.19
New Zealand (14)	47.97	+0.4	39.59	39.36	39.96	45.03	+0.4	6.17	47.77	39.56	39.08	39.91	44.85	54.64	41.18	49.61
Norway (30)	173.29	−2.7	143.01	142.19	144.38	147.65	−3.2	1.75	178.13	147.50	145.71	148.83	152.51	223.24	173.29	214.22
Singapore (38)	206.22	+1.6	170.18	169.20	171.80	158.27	+1.7	2.21	203.02	168.11	166.06	169.61	155.63	213.93	151.63	156.22
South Africa (61)	263.74	−1.3	217.65	216.39	219.72	174.43	−0.4	2.81	267.10	221.16	218.47	223.15	175.05	269.05	173.00	170.70
Spain (53)	148.36	+0.0	122.44	121.73	123.60	113.85	−0.2	4.83	148.39	122.87	121.38	123.97	114.10	171.12	131.51	149.06
Sweden (25)	172.51	−0.5	142.37	141.55	143.73	149.27	−1.0	2.99	173.38	143.57	141.82	144.86	150.80	204.12	146.60	163.65
Switzerland (59)	97.63	−0.6	80.57	80.11	81.35	85.94	−1.1	2.35	98.20	81.31	80.33	82.06	86.88	100.67	82.17	91.96
United Kingdom (240)	177.23	−1.3	146.26	145.40	147.64	146.26	−1.6	5.09	179.49	148.63	146.80	149.95	148.63	187.44	156.27	166.60
USA (526)	154.27	−1.5	127.31	126.58	128.53	154.27	−1.5	3.14	156.59	129.66	128.09	130.83	156.59	161.59	125.95	127.28
Europe (826)	141.70	−0.7	116.94	116.26	118.06	118.19	−1.1	4.06	142.74	118.19	116.75	119.26	119.46	151.52	125.50	138.66
Nordic (107)	178.70	−0.6	147.47	146.62	148.88	147.47	−1.0	2.19	179.75	148.84	147.03	150.18	148.92	200.81	155.55	177.16
Pacific Basin (718)	136.14	+0.0	112.35	111.70	113.42	112.67	+0.2	1.11	136.20	112.78	111.41	113.79	112.43	145.92	117.88	126.30
Euro – Pacific (1544)	138.69	−0.3	114.46	113.78	115.54	115.66	−0.3	2.32	139.14	115.21	113.80	116.24	116.02	147.66	121.29	131.68
North America (641)	153.35	−1.5	126.56	125.84	127.79	151.63	−1.5	3.15	155.62	128.85	127.30	130.04	153.87	160.44	125.91	127.05
Europe Ex. UK (586)	120.37	−0.3	99.34	98.78	100.31	101.99	−0.7	3.33	120.76	99.99	98.80	100.92	102.67	129.80	103.58	121.28
Pacific Ex. Japan (244)	151.19	+1.2	124.77	124.07	125.98	133.47	+1.1	4.14	149.34	123.66	122.17	124.78	132.01	153.19	111.40	120.19
World Ex. US (1737)	140.85	−0.4	116.24	115.58	117.35	117.34	−0.3	2.35	141.39	117.08	115.66	118.14	117.74	148.16	122.32	132.08
World Ex. UK (2023)	141.19	−0.7	116.52	115.85	117.64	127.15	−0.7	2.35	142.22	117.76	116.34	118.83	127.99	146.16	120.06	125.75
World Ex. So. Af (2202)	143.52	−0.8	118.45	117.77	119.59	128.57	−0.8	2.64	144.64	119.77	118.32	120.86	129.56	148.66	122.92	129.13
World Ex. Japan (1789)	150.65	−1.1	124.49	123.78	125.69	139.14	−1.2	3.52	152.46	126.24	124.71	127.39	140.77	155.59	126.69	132.03
The World Index (2263)	144.33	−0.8	119.11	118.42	120.25	128.98	−0.8	2.64	145.46	120.45	118.99	121.54	129.96	149.37	123.26	129.38

Constituent change 19/11/91: Name change: Ampol Exploration to Ampolex (Australia). Latest prices were unavailable for this edition.